

## War again in Cyprus as Turks strengthen grip

They last night controlled most of the eastern third of Cyprus after its had launched air, artillery and attacks in the early morning, two after peace talks collapsed in va.

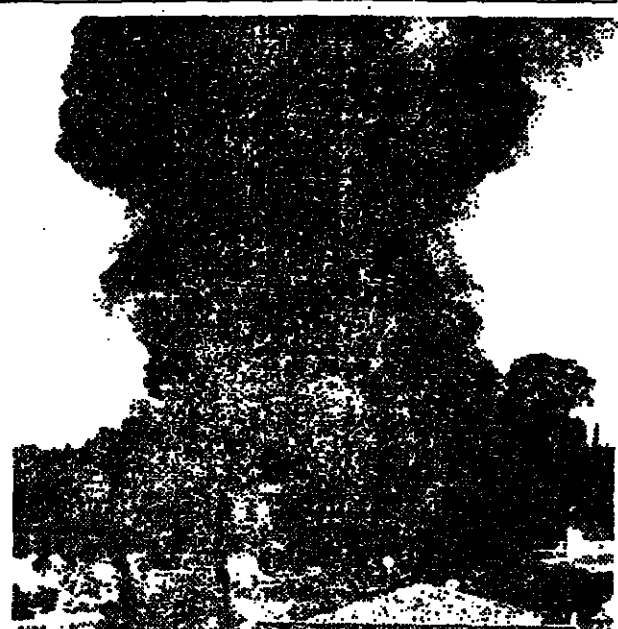
ish tanks were advancing on agusta. The United Nations unced that a ceasefire had been

agreed in Nicosia alone, but even there firing was still being reported. Reuter said the Turks had reached Nicosia airport, but had not tried to take it from the United Nations forces holding it.

Greece responded to the Turkish attack by withdrawing its armed forces from the North Atlantic Treaty Organization. The Security Council met and ordered

an immediate ceasefire in Cyprus, calling for a resumption of peace negotiations in Geneva.

In Ankara, Mr Ecevit, the Turkish Prime Minister, said his service commanders had assured him that the military operation would be completed in a very short time. He did not believe the conflict would lead to all-out war



la under Turkish attack: Greek Cypriot soldiers take cover from a mortar barrage; a column of smoke rises after a rocket strike from the air.

## anks' onslaught is aimed at cing off northern third island from Greek control

our Special ondent  
Aug 14  
ish tanks and infantry towards the resort town magusta today behind ss air attacks and art bombardment on three

he main Turkish assaults east and west to create -called Atilla Line, cut off the northern third of and, another ground force to encircle Nicosia, the

Turks launched the new with bombing raids all 1. Nicosia. Then their and artillery pounded Cypriot positions east of the central Turkish e, north of the capital. n the first Phantom at dawn, war raged t the capital for the eny. Along the Nicosia-usta road Turkish bomb- d shelling set fire to factories and industrial es over a stretch of five miles. Falls of black -rined the capital. The main Turkish push was f the enclave to capture oad junction town of a which was the last int- Greek Cypriot strong- n the south-eastern side Kyrenia Range. The attacked the town from r and with a concerted y bombardment. also pounded the tiny of Mia Milea, just out- icosia, on the fringe of

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the Greek defence perimeter. At the same time the Turks made heavy air and artillery strikes against Greek positions along the Famagusta road. By midday the Greek defenders had begun to fall back on the capital and eastwards to Famagusta.

Other armoured units have pushed south across the new Famagusta road. They have forced National Guardsmen to fall back on a second defence line. North-east of Nicosia, the main Turkish assault force has reached the town of Chatoas after breaking through Greek defences in the Kythrea area.

One of the fiercest battles was around Nicosia airport, which has been under United Nations control since the early days of the fighting. The Turks staged a series of bombing raids on the airport's perimeter throughout the day.

Fighter bombers made repeated dives, bombing and strafing. As UN positions came under air attack, 17 Finnish soldiers in the UN contingent were injured.

Three Austrians with the UN force were killed when the Turks mistakenly bombed the Turkish village of Goshi on the Nicosia-Larnaca road. In an-

other strike against UN positions, four British soldiers were injured.

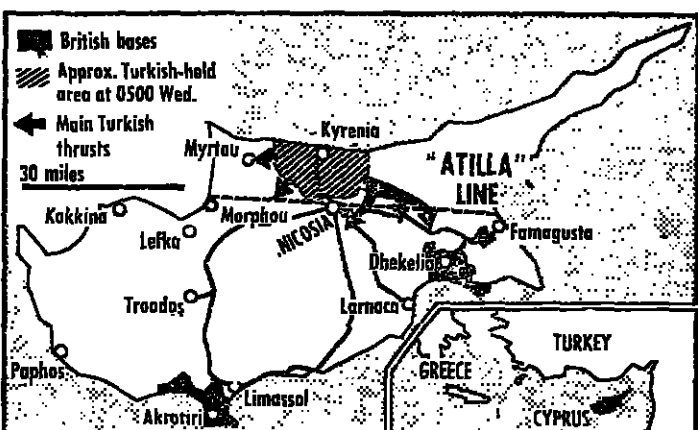
By midday shelling ringed the capital. Turkish jets dived on Greek positions around the airport and along the Myrtou and Kythrea roads. There were also a series of air strikes on Greek artillery positions along the Larnaca and Limassol roads.

Elsewhere in the island fighting broke out between Greek and Turkish Cypriots at Kokkina and Larnaca where the Turks have sizable enclaves. Both villages are about 45 miles west of Nicosia and had been reinforced after the Turkish landing.

Just before midday a Turkish jet fighter fired rockets at the Nicosia Hilton hotel which is being used as a centre for the International Red Cross. Since early morning Greek Cypriot families have converged on the hotel for protection. Windows were shattered as the rockets exploded in the front courtyard but there were no casualties.

A huge white sheet with a Red Cross painted on it had earlier been spread out on the roof of the hotel. In the first wave of air strikes the Turks bombed and strafed National Guard and police headquarters, the radio station and the fringes of Nicosia airport.

Another target was the Nicosia psychiatric hospital, where 28 patients were injured. The hospital was bombed by the Turks in the early days of their invasion and 30 patients were injured.



## 20,000 refugees flee Famagusta raids

From Paul Martin  
Famagusta, Aug 14

The road into Famagusta was crowded early today with Greek Cypriot families fleeing from the resort. Fear had swept through the community since the Turkish build-up on the island.

The Turks are coming, the Turks are coming, said a man hurrying past with his family. "Turn back, don't go any farther. The Turks are coming with their tanks. You will not be safe." Every civilian I passed called the same warning: "The Turks are coming."

War came early to Famagusta. Turkish jet fighters bombed and strafed the near deserted town as columns of tanks and infantry pushed towards its approaches. The town, the principal port in Cyprus, is the main target in Turkey's new offensive.

Most of the town's 20,000 Greek Cypriots fled as the Turkish attack became imminent. Many sheltered under trees on the outskirts of the British base area farther south.

Only the National Guard remained to fight a fierce mortar, artillery and machine gun battle with the Turkish Cypriot fighters entrenched in the old walled city.

The Turks had already made it known that Famagusta would be one of their targets should a new round of hostilities open. They have made it clear that they wish to carve a Turkish area on the north of the island north of a line between Famagusta in the east and Morphou in the west.

The Turkish air attacks on the town were concentrated on the seafront and the southern port area where there are key Greek Cypriot installations.

Continued on page 4, col 8

## Shares slide follows profit fall by Unilever

Nearly £64m was wiped from the stock market value of Unilever Ltd yesterday as share prices plunged yet again.

After announcing disappointing profit figures, the large food and detergent group saw its price slump from 25p to 22p by the close of dealings.

The market value of the group's Dutch arm, Unilever NV, fell by £10.5m.

Unilever's collapse led the way for other shares and the Financial Times 30-share index fell by 10 points to 214.3, its lowest point since February, 1955. Other leading shares to reach new low levels included ICI, Courtaulds, Bectham Group and British American Tobacco.

The stock market had been expecting Unilever to turn in higher second quarter profits, although not as high as the 31 per cent increase in the first quarter. In the event, the combined profits of the British and Dutch operations emerged 7 per cent down at £89.8m.

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## Index-linked mortgage in Liberal plans to assist home-buyers

By Our Political Staff

The main elements of Liberal election strategy became evident yesterday. Mr Jeremy Thorpe announced that he was taking a hovercraft for an intensive pre-election tour of holiday resorts in England and Wales, beginning at the end of August.

He said the party manifesto would be published about August 23 whether an election had been announced by then or not. Its main proposals would be new schemes to help the first-time home buyer and to ease Britain's economic troubles.

The first hovercraft tour will take Mr Thorpe round the coasts of Devon and Cornwall from August 23 to 30. He will be accompanied by Mr Pardee, MP for Cornwall North, and by Mr Tyler, MP for Bodmin.

On September 2 he will visit the Isle of Wight and South Coast constituencies with Mr Ross, MP for the Isle of Wight, and Mr Mayhew. On September 6 he will go along the north-

west coast of England with Mr Cyril Smith, MP for Rochdale.

From the hovercraft, Mr Thorpe will address crowds on the beaches. Confident that people will turn out whatever the weather, he stoutly proclaims: "We are all quite good sailors."

Whether the manifesto will be ready by August 28 is doubtful, but whenever it comes it will contain some radical schemes for helping people to become owner-occupiers for the first time. Three proposals will be put forward: an index-linked mortgage, a low-start mortgage, and an equity mortgage.

An index-linked mortgage would carry a low rate of interest to begin with, but thereafter capital repayments and interest charges would rise according to the rate of increase in the cost of living.

The scheme would be designed to help those who would have the greatest difficulty in buying their house in the first place but who could maintain

Continued on page 2, col 4

## Princess honoured for Mall bravery

Princess Anne, who is 24 today, has been honoured by the Queen for her "calm and brave" behaviour when an attempt was made to kidnap her in March. Captain Mark Phillips, her husband, also gets an award for his "excellent conduct" during the incident in The Mall.

The Princess, it was announced yesterday, has been appointed a Dame Grand Cross of the Royal Victorian Order and Captain Phillips a commander of the order. Miss Rowena Brasse, the lady-in-waiting who was in the royal car at the time, becomes a member (fourth class).

The George Cross has already been awarded to Inspector James Beaton, Princess Anne's personal detective, who was wounded in The Mall; and other policemen and passers-by who intervened have received medals.

A Buckingham Palace announcement yesterday said: "The Queen is taking the opportunity of Princess Anne's twenty-fourth birthday to show her appreciation and to express her admiration of the Princess's calm and brave behaviour throughout the incident in The Mall last March. The Queen also wishes to recognize the excellent conduct of Captain Mark Phillips and Miss Rowena Brasse."

Awards in the Royal Victorian Order are made personally by the Queen and are given for services to the Sovereign and members of her family. The Princess will have GCVO after her name, and Captain Phillips CVO.

Princess Anne is the fifth royal lady to be a Dame Grand Cross. The others are Princess Margaret, Princess Alice, Duchess of Gloucester, Princess Alexandra, Princess Alice, Countess of Athlone.

The Princess and her husband are staying with friends in Ayrshire and attending riding events in the area.

The Queen, the Duke of Edinburgh, Prince Andrew and Prince Edward arrive at Balmoral Castle today for their summer holiday. They will be joined later by the Prince of Wales and it is expected that Princess Anne and Captain Phillips will spend a few days at the castle.

## 47 killed in Caribbean air crash

Caracas, Aug 14.—A Venezuelan airliner today crashed into a hill on the Caribbean island of Margarita, killing 47 of the 48 people on board, it was announced.

The only survivor was the copilot of the Aeropostal Vickers Viscount turbo-prop airliner, Señor Ivan Magallanes, who was taken to hospital.

An official source said the other 44 passengers and three crew died when the four-engined aircraft crashed in a tropical rain six miles from Portomar airport and burst into flames.—Reuter.

## Rock kills Briton on Eiger west face

Grindelwald, Aug 14.—Mr David Knowles, aged 27, was killed yesterday when he was struck by a falling rock on the Eiger in the Bernese Oberland. Mr Knowles was participating in filming on the west face of the mountain.—AFP.

## Yard hunt for London airport saboteur

By Clive Borrell

Scotland Yard detectives and investigators of the British Airports Authority have begun a search at Heathrow airport, London, for a saboteur who has tried to wreck two airlines. Both aircraft, Boeing 707s, belonging to Nigeria Airways, have been seriously damaged during maintenance and servicing at the airport.

All other airlines using Heathrow's servicing and maintenance facilities have told their own security staff to double-check employees' background references and the work they do.

Every aircraft maintenance man at Heathrow has been interviewed and shown two pieces of metal which the police say were deliberately secreted behind secondary air inlet doors of the turbofan engines. One piece was six inches square and U-shaped, and the other was only about 21 inches long. Both, however, were placed in such a position that they would have been sucked into the engines as the aircraft reached full thrust before take-off.

The first sabotage attempt was discovered on July 4 by a ground test crew while they were giving Boeing SN-ABK a

full thrust examination before allowing it to return to schedule service. As the engine came up to full thrust there was a muted explosion.

Examination showed that a small piece of steel had been sucked through the turbine. On July 12 the aircraft's sister, Boeing SN-ABJ, was found to have been tampered with only a few minutes before engineers were to switch on and rev up the turbines. Again a piece of metal had been left deliberately behind the secondary air inlet doors and would have been sucked into the turbines at a time of full thrust.

## r Ecevit's end will be quick

Aug 14.—Turkey's offensive in Cyprus is completed in a very time, Mr Bulent Ecevit, Turkish Prime Minister, today, he did not think it would cause a Turkish war, he added.

General Staff has said that the operation is completed in a very time, Mr Ecevit told "Everything is well."

General Staff's first move on the new offensive said Turkish forces had through areas mined Greeks and captured Hamlet, the Meric area east and encircled Nicosia.

had joined up with Cypriot troops in the of Serdarli near Chatoas, the biggest Turkish army was one of the of the Greek Cypriot al Guard after the Turkish on July 20.—UPI

ence France-Press.

## Mr Callaghan rules out unilateral action

From Our Diplomatic Staff

Britain will not get directly involved in the Cyprus fighting on her own, Mr Callaghan, the Foreign Secretary, said last night.

Asked on the BBC's nine o'clock television news if unilateral action was a possibility, he said: "I think not, indeed, I would say certainly not unless of course our sovereign bases were attacked."

"We have been very ready to give assistance to the United Nations in order to deter armed attack by any of the powers. We have fulfilled our responsibilities to the United Nations in that way, but there is no prospect of British unilateral action. That would make the situation even more confused, and worse."

Asked what action Britain would take as a guarantor power of the Cyprus treaty, Mr Callaghan said: "The guarantors are empowered and responsible for consulting with each other if there is any danger to the integrity of the island, as indeed there has been."

They were also responsible for taking action to defend that integrity, but what kind of action was not specified. "In my judgment the best action is the action we have taken for six days, trying to get the people

concerned around the conference table to hammer out a solution."

The next moves towards ending the fighting in Cyprus were discussed by Mr Callaghan and Dr Kurt Waldheim, Secretary-General of the United Nations, when the Foreign Secretary returned to London on an R.A.F. flight yesterday.

Diplomatic efforts having failed so completely, there seemed to be little opportunity of a new initiative succeeding.

Dr Waldheim, who later called on Mr Wilson at 10 Downing Street, is understood to favour a further meeting of the Security Council. Mr Wilson had broken his holiday in the Scilly Isles to fly back to London for urgent discussions following the breakdown of the Geneva conference.

Mr Callaghan did not disguise his pessimism at the extremely grave situation in Cyprus yesterday. The prospect of a settled solution on the island has been put back for some years, in his view.

The feeling in London is that Turkey was never really committed to making the conference a success; or rather, that the Turkish Government may have started out at Geneva seeking a diplomatic solution, but was over-borne by the army.

## Thousands of Britons have their holidays cancelled

By Stewart Tendler

Fresh fighting in Cyprus resulted in the cancellation of holidays yesterday by the Association of British Travel Agents. The national council of ABTA met and recommended to its members that the cancellations should run until the end of August at least.

Corfu was exempted while further information was being obtained.

Both the council and the Foreign Office have looked at contingency plans to evacuate the thousands of tourists already in the area. ABTA estimates there are 30,000 British holidaymakers in Greece and Turkey. The West German Embassy estimated that there are 32,000 West German nationals in the area as well.

The ABTA statement said that tourists whose holidays were cancelled would be given alternative holidays, a cash refund or in exceptional cases a credit note.

During the day there was confusion about flights in and out of Greece and Turkey. British Airways said Turkish airspace had been closed and Greek airspace was considered a dangerous area. Flights to both countries were suspended and passengers on the four

flights involved were turned away at Heathrow airport. A British Airways flight to Tel Aviv, which would have passed through Turkish airspace, was also cancelled.

Olympic Airways, the Greek national airline, continued flying. A spokesman in London how many Britons are in the area and where they are situated. The holidaymakers in Greece are being advised to leave if they can and Britons planning holidays in the area have been advised against going.

With flights cancelled or cut, the only way for Britons to come home is by road or rail. Reports have been received that tourists are leaving Turkey but the Foreign Office said they had no confirmation of this.

A number of passenger ships have cancelled visits to ports in the area.

No country is reported to have launched plans to bring home its nationals so far but West Germany has set up an emergency centre in Bonn.

## The rest of the news

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## Security Council fires new ceasefire call

York, Aug 14.—The Nations Security Council issued a new ceasefire call for the immediate cessation of peace talks in Cyprus.

15 members of the Council voted unanimously to the new call after Britain, Greece and Cyprus called for a ceasefire following the collapse of peace negotiations.

debate lasting three and hours the representatives of Greece and Cyprus on one side and Turkey on the other each other for the of the talks.—UPI

## Greece withdraws its forces from Nato in protest

From Mario Modiano  
Athens, Aug 14

The Greek armed forces were pulled out of Nato today just as the Prime Minister ordered that the Greek armed forces should be withdrawn from Nato. Greece shall remain a member of the

The Greek decision to withdraw militarily from Nato was taken at a war council chaired by Mr Constantine Karamanlis, the Prime Minister, held at 6 am at the Greek general headquarters outside Athens.

A Government statement at the conclusion of the meeting three hours later, said: "After the Atlantic alliance demonstrated its inability to prevent Turkey from creating a state of conflict between two allies, the Prime Minister ordered that the Greek armed forces should be withdrawn from Nato. Greece shall remain a member of the

alliance only in connexion with its political aspects."

The decision was later "unanimously approved" at an emergency Cabinet meeting, which was joined by Mr George Mavros, the Deputy Prime Minister and Foreign Minister, who arrived directly from the airport after flying in from Geneva.

The decision was regarded by Western diplomats here as an emotional outburst, probably calculated to convey to the West, particularly to the United States and Britain, the full extent of Greek frustration, and press them into action.

Mr Karamanlis, in a statement deploring Turkey's behaviour, said he relied on the Security Council to take the necessary decisions to "prove whether the United Nations organization had any reason to exist."

He added that "on her part, Greece shall take all the appropriate measures to confront an attack which was mounted not only against the independent state of Cyprus, but also to

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# HOME NEWS

## Sharp rise in cases of drunkenness among young people

By Peter Evans  
Affairs Correspondent

Police workers are troubled by a sharp rise in drunkenness among young people, matching an increase in crime. The latest figures, published yesterday, show a jump of 32 per cent, from 3,311 to 4,382, in offences of drunkenness proved against persons aged 14 and 17, and a rise of 30 per cent, from 59,473 to 77,795, in offences of drunkenness proved against persons aged 18 and over.

The figures are a worrying feature in the context of the rise in offences against girls, although the proportion of increase in offences of drunkenness is less than that in offences against girls, which rose by 18 and 20, respectively, between 1962 and 1973, an increase of 10.1 per cent.

The figures represent the largest rise since 1962, and continue the upward trend which

began in 1967, after a drop between 1963 and 1966.

The greatest absolute increase in drunkenness offences was in 1973, from 21,657 in 1972 to 29,945 in 1973. The total of offences in the under-18 group rose from 3,005 to 4,725; in the 18 to 20 group from 11,258 to 13,653; in the 21 to 29 group from 20,345 to 28,864; in the 30 to 39 group from 48,750 to 50,832; and in the group 40 and over from 6,240 to 7,200.

The number of offences for every 100,000 of the population increased from 240 to 259. Offences rose in all but two of the 47 police areas in England and Wales, the largest increase being in Lancashire (4,737 to 6,039). The only decreases were in Birmingham (5,021 to 4,695) and Lincolnshire (1849 to 1,843).

The figures do not include offences under the Road Traffic Act, 1960, and the Road Safety Act, 1967. There have been no major changes in the liquor licensing laws since 1961.

Offences of Drunkenness, 1973 (Command 5676, Stationery Office, Sp.).

Leading article, page 13

## Social workers' legal need

By Trevor Fishlock

Social workers must have a sound knowledge of the law, a report said yesterday, as that all students on training courses in social work should have a basic programme of legal studies.

The report, published by the Central Council for Education and Training in Social Work, was drawn up by a

group headed by Professor Nigel Walker, Director of the Institute of Criminology at Cambridge University.

Magistrates have questioned social workers' competence and attitudes in juvenile courts and other people have criticized their knowledge of legislation relating to mental health, the chronically sick and disabled, and the elderly.

## How to keep the Welsh language alive

By Trevor Fishlock

Welsh-only television channels would be disastrous and the language would be driven into a corner, said a report yesterday. The report, published by the Welsh Language Commission, says that the language is in a "critical state" and that the only way to save it is by a "radical" approach to its teaching and use.

The report, which was prepared by a committee of experts, says that the language is being spoken by only 1.5 million people, and that only 10 per cent of the population are fluent speakers. It says that the language is being used in only a few areas, and that it is being replaced by English in most areas.

The report says that the language is being used in a "passive" way, and that it is not being used in a "dynamic" way. It says that the language is being used in a "passive" way, and that it is not being used in a "dynamic" way.

Professor Williams, Professor of Education at University College, Aberystwyth, was asked to prepare the report. He attended by 700 people from Wales, Scotland, Ireland, Brittany, the Isle of Man and Cornwall. The main task of the commission, later this week, is to agree a charter of cultural rights for European minorities which the Celtic groups will present to their governments.

One of the stark figures emphasised by Professor Williams was that only 9,000 children in the three-to-four-year-old group speak Welsh. More and more, he said, the language of the playground was becoming English, and in a few years the language of play would be the language of courting, then the language of the next generation.

Holiday home owners got the blame, and much publicity, for contributing to the erosion of Welshness; but they were not such a serious threat as the permanent settlers from Eng-

## Eight again remanded in bomb plot case

By From Our Correspondent Birmingham

Strict security was again imposed by the police in Birmingham yesterday when eight men appeared on remand before Mr John Milward, the magistrate, on bomb plot charges.

All parking was prohibited in the city centre streets around the court, and parking meters were suspended. The police patrolled the streets and kept watch from buildings near the court.

Everyone entering the Victoria Law Courts building was checked and searched, and those entering the public gallery in the court had their names and addresses taken. About 50 policemen were in court.

Before the case began Mr Milward ordered that each of the eight men should be brought up separately. All were remanded in custody until August 22.

The defendants were: Patrick Joseph Guilfoyle, aged 24, of Chesterton Road, Sparkbrook; Joseph Duffy, aged 23, of the same address; Gerard Small, aged 28, and James Joseph Ashe, aged 20, both of Clifton Road, Sparkhill; Gerard Peter Young, aged 26, of Exeter Road, Selly Oak; Martin Coughlan, aged 34, of Isis Grove, Chelmsley Wood; Stephen Adrian Blake, aged 22, of Baker Street, Sparkhill; and Anthony James Madigan, aged 19, of Villa Street, Lenzells, all Birmingham.

All are charged with conspiring together with others between August 1 last year and August 3 this year to cause explosions in Birmingham and elsewhere.

## Swedish Prime Minister intent on developing social justice as an instrument of foreign policy

By From Roger Choate Stockholm, Aug. 14.—Non-aligned Sweden is pursuing a foreign policy line which emphasises what it believes are the perils of super power hegemony, according to western diplomatic sources.

They were commenting on a foreign policy address delivered recently by Mr Olof Palme, the Social Democratic Prime Minister in which he pledged that Sweden would continue to pursue a policy of "active neutrality".

He said Swedish "involvement" in events in Vietnam, Chile, Greece, Portugal and in African countries was morally meaningful and "may be of practical importance".

Among other things Sweden has provided financial or humanitarian aid to movements in North and South Vietnam, Cambodia, Laos and the Portuguese colonies and was a champion of Senor Allende, the late Chilean marxist president, in 1972. Swedish criticism of American air raids over North Vietnam led to a downgrading of diplomatic relations between Washington and Stockholm which were restored earlier this year.

The sources said the Palme speech gave some western diplomats the impression that Sweden judges its highly vocal, leftward oriented role on the world stage as essential, basically successful and—with a view towards the third world—economically wise in the long run in terms of future trade patterns and relationships.

Mr Palme, who was addressing a congress of Swedish Christian Social Democrats, said the price that small nations and the Third World might have to pay for superpower hegemony would be prolonged political and social injustice, "because the superpowers believe in intervention in one form or another to get crisis situations under control".

"The very use of these words reveals an assumption that very much affects the interests of other states, and particularly those of small states."

He said that, for the sake of détente, the superpowers "may be so afraid of the consequences of every change that they would rather accept the prolongation of an unjust or dangerous situation."

He said that it was none the less in the Swedish interest to promote shifts in the international power structure in

favour of the poor nations, and to continue to furnish moral and financial support to certain national liberation movements.

Mr Palme went on to summarise what he judged to be the five essential principles of Swedish foreign policy:

1. Promotion of peace and disarmament. He urged continued Swedish participation in the United Nations peacekeeping forces, and an active role in efforts to create more humane laws of war at the interstate conference in Geneva.
2. Contribution to the development of poor nations. Mr Palme said Sweden would comply with the United Nations target to transfer 0.07 per cent of its gross national product to developing countries next year.
3. Countering despoliation of the human environment and the promotion of a just distribution of natural resources.
4. Promotion of a more democratic international community. "This is also a question of eroding the power monopoly of the rich states and cutting back the influence of the multinational corporations."
5. Promotion of strong international organizations, such as the United Nations.



Slow-motion sightseeing on Copenhagen's only licensed "taxi-bike". Tourists pay £6 an hour, including use of raincoat in bad weather.

## Restraints on secret services of Italy

By From Our Own Correspondent Rome, Aug. 14

Some shadowy assertions are heard here today of radical change in the counter-espionage service of the Ministry of Defence. What one newspaper welcomes as a "new course" is seen to have begun yesterday, when Signor Giulio Andreotti, the Minister of Defence, told Parliament that in future the secret service would have to limit itself to its proper functions.

Signor Andreotti was reporting to parliamentary committees of both Houses on the burning last week in an incinerator of 34,000 personal files and 7,000 other documents regarded as improperly collected or beyond the competence of the secret service. The burnt files represented about one fifth of the total material held by the secret service.

The destruction was ordered three years ago by a parliamentary commission of inquiry.

The minister also informed MPs that an inter-ministerial committee had been set up to study the whole structure of the security services and to revise the rules governing military secrecy.

Signor Andreotti has made clear that in future he will not permit files to be opened on persons without justification.

Renewed public interest in the security services is due to two factors. First, the return of Signor Andreotti to the Ministry of Defence after an absence of several years provided an impetus for change. Secondly, the recent acts of terrorism at Brescia and on the Rome-Munich express have rekindled demands for improvements in all aspects of public security.

In the past there have been fears that the secret service had exceeded its brief and was involved in domestic politics instead of keeping to counter-espionage. There have also been suspicions that the service was engaged in some of the more extreme forms of less than clear.

## Slander charge against porter in Italy bomb case

By Bologna, Aug. 14.—Police today arrested Signor Francesco Sgro, a porter at Rome University, who has claimed that he was paid £1m (£700) by the neo-fascist MSI party for falsely implicating left-wing students in the Bologna train bomb attack last week.

He is charged with slander against a student he accused of illegally holding explosives before the attack. Twelve people were killed in the bombing of the Italicus passenger train, for which an extreme right-wing organization has claimed responsibility.

## Paris takes some time off from motor traffic

By From Richard Wieg Paris, Aug. 14

At the height of the August holiday season Paris has decided to make a gesture to the tourists, foreign and French, who are so often annoyed, and sometimes even endangered by motor traffic. As an experiment some parts of the capital will be closed to motor traffic, and bus routes will be diverted.

At 9 pm tonight until the same hour on Sunday pedestrians will be able to stroll across the square to Notre Dame cathedral and enjoy the Tuilleries Gardens adjoining the Louvre Palace without all those cars, lorries or velos that customarily thunder across the Avenue Le Monnier.

Tomorrow, but only from 2 pm to 7 pm, the Champs Elysees will be similarly liberated below Place Clemenceau and so will be Place de la Concorde.

Paris is behind other capitals and big cities in respect of traffic free areas, but the Paris municipal council has decided on this experiment, suggested by all people by the Touring Club de France.

## EEC holidays curtailed for farm crisis

By From David Cross Brussels, Aug. 14

Members of the European Commission will be curtailing their summer holidays to return to Brussels to prepare for a special emergency meeting of Ministers of Agriculture of the Nine early next month.

The Commission will meet on August 30 in good time for the ministers' meeting on September 3. The first session of the Commission after the traditional summer break has been planned for the second week of September.

The special ministerial meeting, which was requested by the Dutch Government, will consider the problem of rising production costs and falling market prices.

The ministers are not expected to be ready to take any important decisions on September 3. The delegation regards this as a preparatory session for the regular monthly meeting.

## Post Office film is an offence of one

By From Our Correspondent Penzance

The Celtic Ocean Salvage Company, of St Ives, Cornwall, was fined a total of £200 with costs of £320 by Penwith magistrates at Penzance yesterday, on six charges of landing part of a propeller and failing to hand it over to the Receiver of Wrecks.

The charges were made against the company, its director, Mr Robert Rogers, of St Ives, and against both him and the company together.

The bench found the charge against the company proved and dismissed the others.

Mr Andrew D. Walker, on behalf of the Department of Trade, said that the company owned two wrecks on the Seven Stones reef, off Land's End.

The Board of Customs and Excise refused to accept Mr Rogers's explanation that his divers found the 32-ton propeller among the wreckage of the Fantee, which sank a mile from the Torrey Canyon 11 years earlier.

## Salvage firm fined in Torrey Canyon case

By From Our Correspondent Penzance

The Celtic Ocean Salvage Company, of St Ives, Cornwall, was fined a total of £200 with costs of £320 by Penwith magistrates at Penzance yesterday, on six charges of landing part of a propeller and failing to hand it over to the Receiver of Wrecks.

The charges were made against the company, its director, Mr Robert Rogers, of St Ives, and against both him and the company together.

The bench found the charge against the company proved and dismissed the others.

Mr Andrew D. Walker, on behalf of the Department of Trade, said that the company owned two wrecks on the Seven Stones reef, off Land's End.

The Board of Customs and Excise refused to accept Mr Rogers's explanation that his divers found the 32-ton propeller among the wreckage of the Fantee, which sank a mile from the Torrey Canyon 11 years earlier.

The Torrey Canyon's two propellers, one of them carried on deck as a spare, both vanished. Each propeller was valued at £12,000.

Mr Rogers told the court that the Torrey Canyon probably knocked off her propeller on the ledge that sank the Fantee and then ploughed on for a mile. His divers had since found the tanker's spare propeller close to her wreckage.

When they found the Torrey Canyon's other propeller among the Fantee's wreckage, they had believed it came from the 10,000-ton ship the salvage rights of which they owned. He was now prepared to say that the pieces of propeller were not from one of their wrecks, but at the time of raising and landing them it was not doubted.

## Y bridegroom fined £10

By From Our Correspondent Exeter

A shop manager, broke a shop window and to go to prison rather than his wedding, was fined by magistrates at Reading, three, yesterday. He was said to pay £85.58 to repair the window.

## Clay Cross 11 say they will not pay interest

By From Our Correspondent Chesterfield

The 11 former councillors at Clay Cross, Derbyshire, said yesterday that they would contest a claim for 7 per cent interest on the £6,985 which they have been surcharged for failing to collect higher rents while they were in office.

The sum involved in interest between October, 1973, and this month is estimated at about £400. Mr Arthur Wellon, one of the former councillors, said: "We do not intend to pay the £6,985, nor do we plan to pay the interest. We have instructed our solicitors to take this to court and to contest it."

The councillors have signed a formal statement declaring that they have no assets.

Mr Wellon, who is not married, said: "Whatever I may have had I have disposed of. We have all been prudent enough to dispose of our assets."

Mrs Eileen Skinner, former election agent for Clay Cross and the wife of another former councillor, Mr Graham Skinner, said: "My husband has no money in the bank and he has made over to me everything in our home. We have two children, aged 8 and 6, and when he gets his salary as a surveyor with the county council he hands the housekeeping over to me."

## Drug charges against son of Elizabeth Taylor

By Michael Wilding, aged 21, son of Elizabeth Taylor, the actress, appeared on bail at Aberystwyth Magistrates' Court, Dyfed, yesterday, charged with possessing cannabis resin and cultivating a cannabis plant. He was also accused of aiding and abetting permitting the drug to be smoked.

He was arrested with six others in a police raid on his isolated farmhouse in north Dyfed last month.

Jointly charged with him were Clifford Graham Evans, aged 24, a sound engineer; Mary Jane Goulding, aged 20, a freelance writer; Johanna Karen Lykke-Dahn, aged 22, a housekeeper; Barry Coleman, aged 30; Bettine Schaefer, aged 22, a musician; and Robin Peter Lawrence, aged 23, a musician, all of Ffynnon Wen, Gwynedd.

The cases against all seven were adjourned until October 7 and bail was renewed.

## French lorry driver for trial

By From Our Correspondent Winchester

A French lorry driver charged with causing two deaths by driving dangerously at Winchester Magistrates' court yesterday that he had learnt Britain's rules of the road before coming to the country.

Raoul Robert, aged 30, of Cherbourg, committed for trial at Winchester Crown Court. He was released on bail totalling £100.

Reporting restrictions lifted on Monday.

## Pheasants fitted with radios

By From Our Correspondent Hampshire

Hundreds of pheasants in Hampshire are being fitted with miniature radio transmitters by scientists from the Game Conservancy at Fordingbridge in an attempt to find out why two million of the six million birds released every year vanish before the shooting season.

The transmitters weigh about half an ounce and the birds will be tracked from vehicles fitted with receivers.

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## CYPRUS

## Nato Council reviews damage to southern flank by Greece's withdrawal from military alliance

From David Cross  
Brussels, Aug 14

The Nato Council today began an urgent appraisal of the military consequences of the Greek decision to withdraw its forces from the alliance. It expressed the hope that the Greek Government's action would prove to be only temporary and would be reconsidered as soon as possible.

There was general agreement among officials attending the Brussels meeting that the Greek move had seriously weakened Nato's southern flank and plunged the alliance into its worst internal crisis in its 25-year history.

The emergency meeting, convened at short notice this morning, saw Nato permanent representatives expressing their "deep concern" over the renewed fighting in Cyprus and the breakdown of the Geneva talks. They also reaffirmed their strong support for the restoration of an effective ceasefire and a resumption of negotiations among the interested parties.

Along the lines of this morning's United Nations Security Council resolution, the meeting, during the meeting, the Greek permanent representative explained his Government's decision to withdraw its forces from the integrated military structure of Nato, while maintaining a member of the alliance. He blamed Nato for its failure to stop Turkey from creating a state of military confrontation with one of its Nato partners.

The breakdown of the Geneva talks and the renewed fighting in Cyprus came as no real surprise to Nato officials here, although several of them, including Dr Joseph Luns, the organization's secretary-general, had to return hurriedly from their holiday retreats to Brussels.

However, the suddenness of the Greek decision to follow France's example and withdraw from the military side of the alliance came as a shock to many officials, who were principally as an expression of regret that some member countries, principally the United States, had not been more active on the diplomatic front.

in striving for a realistic solution to the Cyprus crisis at the negotiating table in Geneva.

Officials also felt that the decision had been taken partly for military reasons in order to prevent the Turks from learning too much about Greek troop and air movements. At Nato command centres, all military movements are monitored and the information is readily available to other Nato member countries.

Greek representatives are expected to take part no longer in the activities of the Nato military committee in Brussels and to boycott the regular meetings of the defence planning committee and the Eurogroup. Nobody, except a few isolated optimists, expects the Greeks to return fully to the Nato fold until the Cyprus situation has been resolved to their satisfaction.

Our Defence Correspondent writes: "The decision by Greece to withdraw its forces from Nato recalls that taken by President de Gaulle eight years ago, when France left the alliance's military organization."

While the blow now dealt to the alliance by the loss of 160,000 Greek troops cannot quite equal that inflicted by General de Gaulle in 1966, it none the less leaves a gaping hole in Nato's southern flank, which diplomats in Brussels must be aware of.

Ironically one of the arguments advanced for retaining Greece in Nato when a number of voices were calling for expulsion, was that otherwise Turkey, the southern flank of Europe, would be dangerously exposed. One cannot now expect the Greek Government to lose much sleep about that.

Greece joined the North Atlantic Alliance in 1952, some three years after winning the fight against the communist insurgents, and since then membership of Nato has been one of the strongest factors in its foreign policy.

In the early years of Nato membership, Greece concentrated its efforts on defending the northern frontier against the traditional threat of attack through Macedonia and Thrace. Greece's frontier with the Warsaw Pact is still one of only two

areas in which Nato manpower is actually superior to that of the Soviet block. The advantage does not, however, apply to tanks and tactical aircraft.

More recently Greece has also been called upon to look southwards, where the Soviet naval squadron in the Mediterranean has presented a new challenge.

Greece's departure from the military organization of Nato means the loss of an army of 120,000, a 22,000-man Air Force and an 18,000-man Navy. The proportion of Greece's gross national product devoted to defence and the percentage of its manpower committed to military service are among the highest in the alliance, although the security of the West has not exactly been the only motive.

For instance, the Greek Navy, consisting of some 13 destroyers and frigates, seven submarines and four missile boats equipped with French-built Exocet anti-ship systems, was considered politically unreliable by the old military junta. Naval movements were restricted and the Navy hardly played a very important part in Nato defence in recent years.

The Air Force, disposing of 225 combat aircraft, has, like the Navy, been in need of modernization. An order has in fact been placed for the French Mirage F1 interceptor.

But the position of Greece, commanding an important section of the Mediterranean, has always been considered crucial to the alliance in the south, not only as protection for the Turkish flank but as a communication link between the south-east and the central region.

The vulnerability of Greece's northern frontiers has been demonstrated in both world wars, and despite improved relations with Albania and Bulgaria during the days of the junta, the new Greek Government would probably feel very exposed without Western support, even perhaps Nato support, once its present fit of pique is over.

But Greece will have not only to return to Nato but also to repair its relations with Turkey before the North Atlantic Alliance can look on its south-east flank with comparative equanimity again.

## Mr Ford is active in US ceasefire moves

From Patrick Brogan  
Washington, Aug 14

The United States Government has issued a statement deploring Turkey's resumption of military action in Cyprus and calling for an immediate ceasefire. Dr Kissinger, the Secretary of State, has been sending messages to the Greek and Turkish Governments and President Ford is taking active part in the first foreign crisis of his administration.

The President spoke to both Mr Wilson and Mr Callaghan on the telephone this morning, while Dr Kissinger also discussed the situation with the Foreign Secretary.

The Washington Special Action Group, a group of high officials under the direction of the Secretary of State which meets in the White House to examine serious crises, has reconvened.

The chief American bargaining counter is the threat to cut off military supplies to either Greece or Turkey or both. A State Department official said this morning that neither country could count on continuing supplies.

During the first phase of the Cyprus crisis, Dr Kissinger said supplies would be cut off if a war broke out, but the threat is less explicit now.

The State Department is also firmly denying that the Government is "tilting" in favour of Turkey. The word was first used by Mr Nixon to describe the American attitude to Pakistan in the Indo-Pakistan war.

There is, however, evidence in the present crisis that the United States is less favourably disposed towards Greece. The statement two days ago that the United States appreciated the Turkish Cypriots' need for some degree of autonomy was ill-received in Greece. The Turks took it to be approval for partitioning the island.

The State Department denies this. It says that all parties to the Geneva conference agree on the need for Turkish autonomy. The dispute was over the terms of the new arrangement, and the United States had not taken a position on that.

The Greeks, who started it, now consider themselves the victims of aggression and find any timidity in American support, or any neutrality, a sign of hostility.

The United States Government, which supported the colonels from the beginning, is now respecting the consequences, with violent anti-Americanism in Athens and a sharp decline in American influence there.

The State Department had no comment on Greece's withdrawal from Nato, saying that it was not yet clear what exactly this involved.

## Nicosia safety zones agreed

Geneva, Aug 14.—Both sides in Cyprus accepted today the establishment of three safety zones in Nicosia by the International Committee of the Red Cross. The Cleopatra Hotel and the Kibis clinic.

The zones have been set up in accordance with the Fourth Geneva Convention of 1949, which relates to the protection of civilians against some of the dangers of war.



Homecoming: Service families disembark at RAF Brize Norton after the flight from Cyprus.

## RAF airlift of families begins again

By Henry Stanhope  
Defence Correspondent

The first of 1,700 service families arrived at RAF Brize Norton last night as the RAF began its second major airlift from Cyprus in three weeks.

More flights are expected throughout today. Altogether up to 10,000 civilians, all dependants of forces serving in the island's Sovereign Base Areas, are due to return to Britain in the next six days as a result of the deteriorating situation.

The 10,000 are those whose quarters have been scattered throughout dormitory areas in places like Famagusta and Larnaca, outside the comparative safety of the base areas.

The 4,500 living on the bases themselves, at Akrotiri and Dhekelia, will remain there for the time being because it is unlikely their security will be threatened. No information was available last night about the numbers of any British or foreign citizens on the island who might still require flights back to Britain.

Emergency accommodation has already been prepared in this country to house those of the 10,000 who have no homes or relatives to go to. A Ministry of Defence spokesman said last night that accommodation was no problem.

About 600 married quarters have been set aside for them. A hostel for 20 families has been prepared near Corsham, Wilt-

shire, a further 300 emergency beds are ready in a number of service bases and boarding house accommodation will also be used.

Transport aircraft are no problem either. RAF Strike Command has 13 VC10s, each of which can carry 125 people, and 22 Britannias each with a capacity of 115. Although a number of these are always in use on RAF scheduled flights to various parts of the world, they will be diverted to help in the present operation.

In addition, there are 45 Hercules and 10 Belsteads which, while not providing much comfort, could be called upon in an emergency if the pace of the airlift had suddenly to be quickened.

The completion of the airlift will leave 11,900 British troops on the island, apart from the 4,500 dependants in the base areas, and a squadron of Phantom fighter-bombers are on stand-by, ready to reinforce the 14 already in Cyprus should the need arise.

Some 10,500 of these personnel are stationed with the British garrisons in the base areas, either army or RAF. The army units consist of: A Squadron of the 16/5 Royal Lancers and B Squadron of the Blues and Royals, both units equipped with Scorpion reconnaissance tanks; the Royal Armoured Corps Parachute Squadron and two troops, equipped with Ferret scout cars; 40 Commando Royal Marines; and 1st Royal Scots; the 3rd Battalion The Royal Regiment of Fusiliers; the 10th Gurkha Rifles, and a number of logistic and support units. There is also the headquarters unit of 19 Airportable Brigade.

More exposed to the fighting are the 1,400 British troops serving with the United Nations force. These are the Regimental Headquarters and B Squadron of the 16/5 Royal Lancers and C Squadron of the 4/7 Dragoon Guards, equipped with a mixture of Ferrets and Saladins; two squadrons of the RAC Parachute Squadron with Ferrets; and the 2nd Battalion Coldstream Guards.

The RAF contingent, apart from the Phantom squadron, includes two squadrons of Vulcans, a squadron of Lightnings, a number of Hercules transport aircraft, Whirlwind helicopters, and three squadrons of the RAF Regiment.

The Royal Navy is being even more than usually secretive about its movements. The County Class guided missile destroyer Devonshire is still thought to be in the Cyprus area, and two frigates, the Ryl and the Andromeda, are in the Mediterranean, the former based at Malta and the latter at Gibraltar.

A ship, frigate Ajax, which left Devonport for an undisclosed destination on Tuesday night, was said to be sailing for Cyprus but it would be surprising if it did not end up there.

There was no indication of any other naval movements, however, and no indication that the assault carrier Hermes or some other big ship was under orders to sail.

In the airlift three weeks ago the RAF brought 13,430 people out of Cyprus in 10 days, 7,156 of them British civilians, 3,162 service dependants and 3,112 foreign nationals from 48 different countries.

## Famagusta bombed and shelled all day

Continued from page 1

Throughout the morning flights each of six fighter bombers made bombing and strafing runs, blocking the town and setting buildings on fire.

Big plumes of black smoke rose over a wide area in the Greek Cypriot part of the town. Greek National Guardsmen fired volleys of machine gun fire at the attacking jets with no result. It is the second time in a month that the town has suffered heavy Turkish air strikes.

On the approach roads to the town, the last of the refugees poured out in cars packed with women and children, many strapped to their roofs. The western road had earlier been blocked as Turkish forces pounded an industrial complex just outside Nicosia, a pushed their armoured units on to the edges of the main Nicosia Famagusta road.

The Turks had amassed the biggest concentrations of armour at the eastern end of the Nicosia enclave in preparation for the push into Famagusta. In the earlier fighting the Turks had expanded the Nicosia enclave just above the road to Famagusta, threatening the important Kyrenia Junction.

Kyrenia was one of the gets of the Turkish bomb and shelling today. Because it is the only remaining concentration between Nicosia enclave and smaller Konodori Chatois, it was expected to attempt a link up.

Hard pressed to contain numerically and materially superior Turkish invasion force, the Greeks have left with only one chance of success. Should they achieve the link up they have a straight run over good country east to Famagusta.

Since early morning Greeks and Turks in the town have traded mortar fire, and machine gun fire at the walls of the old city. More than 10,000 Turks have been besieged in the old since the Turkish invasion three weeks ago.

Many sought refuge in walled city from outlying villages in the early hours of the outbreak of war. The strikes were aimed at the National Guard and strongholds.

The Turks burst out of the old city near the wooden bazaar in earlier fighting, were surrounded by four Greek Cypriot positions. Shattered and deserted, once bustling town is now war zone. National Guardsmen peer from behind sandbagged emplacements and the st of mortar fire draws ominous close.

Near the Greek-held set of the post, deep water was surrounded by National Guardsmen, who had been expecting reinforcements. I had no idea where the T were in their drive east. They would defend Famagusta to the last, they said.

Police broke up a demonstration of angry Greek Cypriots outside the Turkish Embassy in London last night. Clearly in trouble, more than police backed by 24 mounted policemen, lined Belgrave Square. Reinforcements were in the square gardens.

As soon as scuffles broke among the relatively few Greek Cypriots positioned in front of the embassy, police in a flying wedge of officers.

Then they pushed the halves of the demonstration back to the corners of the square. Rocks and stones were thrown.

Fifteen people were arrested, four of them juveniles. Six injured people, including two policemen, were taken to hospital.

The demonstrators, who had marched from the Cyprus Commission near Marble Arch, carried banners recalling Turkish atrocities and demanding the national self-respect of Cyprus.

"Criminal actions denounced by responsible international opinion are taking place at the expense of the independence of a member of the international community of nations."

"I am filled with deep sorrow and bitterness that neither sense of justice nor treaty of alliance have been able to prevent an unjust attack which constitutes contempt for the human rights and the national self-respect of Cyprus."

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The third option was seen as the likeliest, especially in the Greek case, but it is now clear that Britain would refuse to provide the necessary air cover if asked.

For the time being the British forces in Cyprus would operate only as Nations force under Security Council mandate.

Observers in Athens believe that the United States is placing the Cyprus problem as a low priority, seemed to have intervened too late to avert the present deadlock.

Reports that Washington was trying to lay the blame on the Turks in the Aegean, which are largely populated by Greeks, in order to trade them for territory in Cyprus; or to

## Mr Denktash explains objections to delay

From Our Correspondent  
Geneva, Aug 14

Mr Rauf Denktash, the Turkish Cypriot leader, said today that one reason why he had opposed an adjournment in the Geneva conference to permit consultations with the Greek and Cyprus Governments was that during the recess "they might have brought Makarios from London to replace Clerides."

That was a dreadful prospect for us," he added. "We suspected it because of certain statements made by the Greek foreign minister."

Other reasons for objecting to an adjournment had been the laying of mines and building of fortifications by the Greek National Guard and the flow of military supplies from Greece.

"I think Mr Clerides could have averted what happened this morning by conceding one principle," Mr Denktash added. "Namely, that the Turks are entitled to full security and this can be provided by a geographical area, and that he would concede this point."

"If he had said that, I think a lot of things would not have happened. But he could not afford to say it, and the formula for a settlement that he offered me was really not worth looking at."

Asked what he thought the outlook was now, he referred to the call for a new ceasefire and further negotiations.

"I am all for it," he said, "and I hope the Greeks will come either here, or somewhere else, and we will seriously discuss a settlement this time."

Mr Denktash and his delegation are temporarily in Geneva because of the closure of airports in the eastern Mediterranean.

## Mr Gunes faces hostile reporters at conference

By Our Diplomatic  
Correspondent  
Geneva, Aug 14

On the morning after the Cyprus conference in Geneva, Mr Turan Gunes, the Turkish Foreign Minister, made one of these declarations to the press which are really a rearguard action.

In many years of such gatherings I can remember only one in which the audience, apart from a posse of Turks near the minister's seat, was so hostile. That was an exposition of apartheid policy by the late Dr Verwoerd when Prime Minister of South Africa.

Mr Gunes seemed today deliberately unconcerned about, but at least not wholly oblivious to, the widespread feelings of exasperation across him, which news of the bombing of Nicosia in the early hours of the morning, had aroused in his hearers from many countries.

Summing up the Turkish part

in the conference, Mr Gunes said: "I think we did well." The conference, he added, with unconscious irony, had served to "explain the real position of the countries concerned."

At this point a Turkish Government declaration was circulated claiming that Turkey is protesting the independence of Cyprus against a Greek attempt to annex it.

The temper of the audience can be judged by the questions. "Is your way of concluding this conference to bomb Nicosia?" "You say, you preferred a quick rather than a slow death for the conference. Would you say whether the families of those killed this morning prefer their deaths rather than more negotiations?" "Have you received support from any other country for your position?"

Mr Gunes said that he had tried to prevent the resumption of hostilities, but otherwise had only irrelevant replies.



Crisis talks: Mr Wilson, who returned from his holiday in the Scilly Isles yesterday, greets Dr Kurt Waldheim, United Nations Secretary-General, at Downing Street.

## Mr Callaghan blames talks failure on Turks

From A. M. Rendel,  
Diplomatic Correspondent  
Geneva, Aug 14

The Cyprus conference in Geneva broke down early today only a few minutes before Turkish aircraft began to bomb Nicosia. In the last hour of the session it became clear that Mr Gunes, the Turkish Foreign Minister, was merely playing out time, and that the Turkish Government had decided to take by force what they had so far failed to obtain by argument.

Throughout the day there had been many postponements of a final meeting. Real moves were being made outside Geneva by Dr Kissinger, the United States Secretary of State, with Mr Ecevit, the Turkish Prime Minister, and with Mr Karamanlis, the Greek Prime Minister.

Mr Gunes announced in terms sounding much like a nineteenth-century ultimatum that he must have a response by 10 pm for his proposal for a division of Cyprus into cantons, with about 17 per cent of the island in the north in one large area in which the Turkish Cypriots would control security.

Mr Mavros, the Greek Foreign Minister, and Mr Clerides, the Greek Cypriot leader, were both

proposing an adjournment of the conference, so that they could return home for consultations.

A meeting between the British, Greek and Turkish foreign ministers with Mr Clerides and Mr Denktash, the Turkish Cypriot leader, was eventually arranged in the evening. When this continued after the 10 pm deadline, there were for a time rising hopes among the delegates that the Turks would agree to an adjournment for 48 hours.

Mr Gunes, however, then began a long exposure of his proposal arguing that there was no point in discussing it in Athens and Nicosia. But Mr Callaghan, the British Foreign Secretary, Mr Mavros, and Mr Clerides had all made plans to adjourn and could have done so without Mr Gunes's consent, if the Turkish Government had not apparently been determined upon an actual breakdown.

When the talks ended, Mr Callaghan called the press to announce that the conference had broken down with, at the moment, no prospect of a resumption. He emphasized that this breakdown was due to Mr Gunes's insistence upon a deci-

sion that night on his proposal for a federal system for Cyprus comprising two or more zones. Mr Callaghan added that Mr Clerides had promised to give this proposal careful consideration with an open mind.

Mr Callaghan then abandoned his position as middleman and declared that he had told Mr Gunes that his refusal to allow a 36-hour break for consultations was unreasonable. "I cannot believe that peace in the Mediterranean depends upon 36 hours."

It would have been possible to work out a solution, Mr Callaghan went on, and he added that this was not only his own view. The British Government had consulted the United States Secretary of State, and the nine members of the European Community had also made a demarche with the Turks.

Mr Callaghan then stated that he had just sent instructions to the British mission in New York to ask for an immediate meeting of the Security Council. "I hope it will be in time," he said, "to prevent ruin and desolation overtaking the island forthwith."

"I believe the situation is extremely urgent. I cannot

believe that the Turks would expand their occupation in view of the assurances which I received. There can be no military solution to the problem of the island."

Today, the Republic of Cyprus is the prisoner of the Turkish Army, but tomorrow the Turkish Army will find that it will be the prisoner of the people of Cyprus."

Mr Mavros followed with a passionate and moving denunciation of Mr Gunes's refusal to permit an adjournment.

Mr Clerides told me on leaving that he was flying back to Athens with Mr Mavros and would travel on to Nicosia, if by that time the airport was still open. He evidently had little expectation that it would be, but he seemed curiously relaxed at the end of a meeting which in all, with a dinner break, lasted some nine hours.

Mr Gunes has said that he will remain in Geneva to take a brief holiday. It is always possible that Turkey, having made its determination to secure full autonomy and security for the Turkish Cypriots, will agree with no great delay to the Security Council's demand that the Geneva talks be resumed.

## Makarios attack on American attitude

By a Staff reporter

Archbishop Makarios expressed disappointment last night at the attitude of the United States to the Cyprus crisis.

The United States is the only country which has not exerted pressure on Turkey and have prevented the invasion. It will be an ominous precedent for the security of other small countries," he said.

The Archbishop said Turkey was in a position of military supremacy on Cyprus and could enforce the whole island within a few days. But he praised the attitude of Mr Callaghan, the Foreign Secretary, and said he was satisfied with the efforts of the British Government.

About the renewed fighting on the island he said: "I am very disappointed and very sad. The solution of the Cyprus problem should be within the framework of a unitary state. Turkey, having torpedoed the Geneva conference which she has attended not for the purpose of negotiating but for the purpose of dictating her terms, has unleashed an all-out attack. The Security Council has adopted a resolution demanding once again a ceasefire, but Turkey refuses to respect this new call of the Security Council."

The Archbishop was speaking at a press conference in the Grosvenor House Hotel, London, last night. Earlier he had walked among thousands of cheering supporters who had marched from the American Embassy in Grosvenor Square.

He said he had been in touch with the Greek Government and agreed with their position and that of the Greek Cypriots at the Geneva conference.

More than 500 Greek Cypriots marched through Birmingham city centre yesterday in protest against the renewed Turkish attack.

## 'Genocide' denunciation by King Constantine

King Constantine yesterday denounced the Turkish offensive in Cyprus as having "all the characteristics of genocide."

In a rallying telegram to Mr Constantine Karamanlis, the new Greek Prime Minister, the king, who has a suite at Claridges in London, called on all Greeks to show unity.

The king's message said: "At this present moment of national crisis, I feel sure that the whole united Greek people and the armed forces of the country are standing by the side of your Government and sharing the tragic ordeal of our brothers in Cyprus."

"I denounce this new barbarous and shameful Turkish aggression against Cyprus. It is a stigma on our neighbour, Turkey, which is one of the guarantor powers of the inde-

pendence of the Republic of Cyprus.

"Furthermore, this latest Turkish attack has all the characteristics of genocide because its aim is the annihilation of human beings and the destruction of property of a large part of the Greek population of the island."

"Criminal actions denounced by responsible international opinion are taking place at the expense of the independence of a member of the international community of nations."

"I am filled with deep sorrow and bitterness that neither sense of justice nor treaty of alliance have been able to prevent an unjust attack which constitutes contempt for the human rights and the national self-respect of Cyprus."

## Cabinet retains public confidence

Continued from page 1

undermine the institutions and order of the whole world.

"Turkey proves to be a threat to world peace. She took advantage of an irresponsible and senseless act of the previous [Greek] regime, to land military forces in Cyprus three weeks ago, on the pretext of restoring legality and protecting the island's independence."

The Greek leader accused the Turkish troops of committing atrocities in Cyprus and denounced Turkey for launching an "unprovoked attack" on the island just as the Geneva conference was seeking a peaceful solution to the problem.

Greek military estrangement from Nato, if not a short-lived diplomatic manoeuvre, may cause a great deal of problems for the United States which has granted on bilateral arrangements, they are here under a "Nato umbrella."

The agreement assuring American destroyers speci-

cally states that these were granted "in order to serve the purposes of the Atlantic alliance."

A spokesman for the United States Embassy here said the embassy was not aware of the practical effect of the Greek move. "We have not yet been given any details," he said.

The announcement of Greece's military withdrawal from Nato brought closer to the country the threat of war. There was consternation in Athens, but not panic as popular confidence in the new Government was in sharp contrast to the frenzied reaction in last month's crisis.

For the time being the British forces in Cyprus would operate only as Nations force under Security Council mandate.

Observers in Athens believe that the United States is placing the Cyprus problem as a low priority, seemed to have intervened too late to avert the present deadlock.

Reports that Washington was trying to lay the blame on the Turks in the Aegean, which are largely populated by Greeks, in order to trade them for territory in Cyprus; or to

send troops to Cyprus "to the Greek Cypriots from the Turkish massacre," demand from the allies—mainly Britain—as a guarantor power—to provide the necessary air cover.

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**VERSEAS**

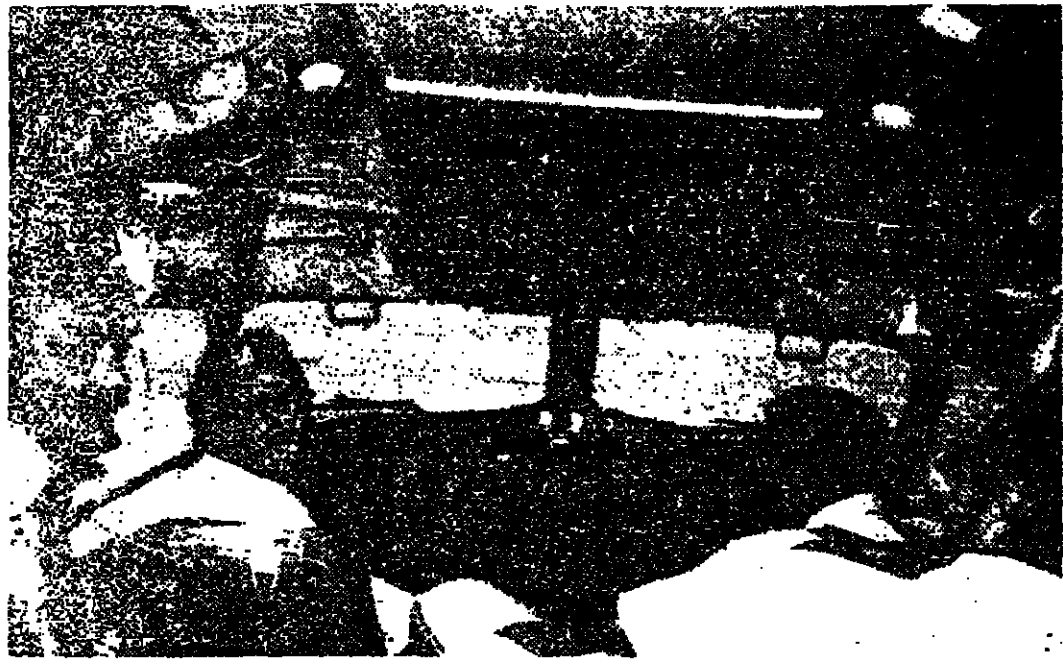
**Bangladesh faces increasing threat  
of epidemics as flood  
waters begin slowly to recede**

Continued from page 4

In Michael Hornsby  
Bangladesh, the floods which have been  
raging for two months appear to be  
easing, although several critical  
epidemics of cholera, typhoid and other diseases will  
increase as the waters recede.  
The situation is improving in the northern districts  
of Bangladesh. The worst  
affected regions now form a  
narrow strip across the middle of the  
country, centred on Faridpur in  
the north, and the centre  
of the country in the east.  
The worst parts of Dacca have  
under about 2ft of water  
for two weeks and vast  
areas of the surrounding  
trysties are flooded to a  
greater depth. But the  
floods are beginning to  
begin to recede. The  
of the country have been  
red.  
The situation could, however,  
be worsened by fresh rainfalls  
in the hills of upper Assam  
and the Brahmaputra and  
tributaries which bisect  
Bangladesh from north to south.  
There is also a danger that  
drainage away of the flood  
waters to the south could be  
delayed by a high tide in  
the Bay of Bengal, which is  
expected to occur in about a  
week.  
A boat trip in the heavily  
flooded region between the  
Ganges river and the Balu  
to the north-east of Dacca

passes through a landscape of  
weird beauty where ketch-like  
boats ply between half-sub-  
merged clusters of wattle and  
bamboo thatched houses against a  
backdrop of lowering rain  
clouds.  
Usually these small villages  
would have been safe on their  
islands of higher ground even  
during the monsoon season, but  
this year the level of the flood  
waters was several feet higher  
than the average for the past  
20 years.  
A Staff Reporter writes: The  
voluntary relief organization,  
War on Want, has decided not  
to send anti-cholera vaccines to  
Bangladesh, after receiving  
reports that the vaccine's suc-  
cess rate was only between 50  
and 60 per cent. The organiza-  
tion considers sending iodine  
and water purification tablets  
instead.  
Christian Aid has given  
£10,000 towards emergency  
relief supplies which are to be  
flowed to Dacca at the end of  
this week or early next week.  
Oxfam is giving 40,000 doses  
of a combined anti-cholera and  
anti-typhoid vaccine, costing  
about £3,000, which are to be  
flowed out on Saturday.  
The Catholic Fund for Over-  
seas Aid has already sent £500  
in relief supplies and will be  
sending more medical supplies,  
but probably not until early  
September.  
The International Red Cross  
has already spent between  
£150,000 and £200,000 since the  
floods began, of which £5,000

was given by the British Red  
Cross.  
Delhi, Aug 14.—The Chief  
Minister of Assam today called  
for international action to  
tackle the problem of the  
floods which hit the subcon-  
tinent every year. Mr Sarat  
Chandra said in Calcutta that  
four million people in his state  
had been affected by the  
present massive flooding. He  
called the damage unprece-  
dented.  
Up to yesterday damage in  
Assam was estimated at £25m,  
most of it in lost crops.  
The flood waters now cover-  
ing large areas of Northern  
India and Bangladesh have  
caused so far some 3,000  
deaths and affected about 30  
million people.  
Mr Chandra said the flood-  
waters of all the rivers in the  
north, including the Brahmaputra  
down the Brahmaputra river,  
causing damage and destruc-  
tion in Assam, West Bengal  
and Bangladesh every year.  
This chronic problem had to  
be dealt with internationally.  
Some observers here believe  
that one of the major causes  
for the floods is deforestation.  
Experts say the former policy  
of felling protected timber in  
defiance of the colonial  
power, plus the current wide-  
spread practice of "slash and  
burn" cultivation by peasants,  
has helped to destroy the nat-  
ural safety factors which for-  
ests provide.—Reuter.



King Husain of Jordan in Seattle yesterday prepares to fly the City of Amman, a Boeing 727 to be delivered to ALIA, the Jordanian airline.

**Fundamental rights restored in Pakistan**

From Our Correspondent  
Rawalpindi, Aug 14  
After more than five years  
citizens in Pakistan have been  
given back the right to apply  
to the courts over fundamental  
rights, providing safeguards  
from arrest and detention and  
for freedom of assembly and  
association.  
Mr Bhutto, the Prime Min-  
ister, said here today that his  
state of emergency would con-  
tinue, but he had decided to  
rescind the order which sus-  
pended citizens' rights to apply  
to the Courts for enforcement  
of fundamental rights provided  
in the constitution.

He made the announcement  
while laying the foundation  
stone of Pakistan's first per-  
manent building for the  
national Parliament at Islama-  
bad, the capital. The Opposi-  
tion in both houses of Parlia-  
ment, however, boycotted the  
ceremony. They said the Presi-  
dent and not the Prime Minister  
should lay the foundation stone.  
Announcing the restoration  
of fundamental rights, Mr  
Bhutto said: "Despite the fact  
that we are not yet rid of our  
anxiety about the situation  
along our borders and the dan-  
gers of internal subversion, my  
Government feels the time has

come for us to make a move  
farther towards the norms laid  
down in the constitution."  
His declaration, however,  
made some observers believe  
that the Government would  
extend the state of emergency,  
which has continued since 1970,  
for a period of six more months  
on expiry of its present life on  
September 3.  
Mr Bhutto said his announce-  
ment showed the Government's  
resolve to amplify and enlarge  
civil liberties, subject to para-  
mount considerations of  
national security, and signified  
that the Government was over-  
coming disintegrative forces

**Russian violinist says  
he wants to go home**

Perth, Aug 14.—Mr Georgi  
Yermolenko, the Russian violin-  
ist who was twice prevented  
by trade unionists from leaving  
Australia, assured reporters  
today that he really wants to  
return to the Soviet Union.  
He told two reporters who  
were allowed to see him: "I  
want to go back as soon as  
possible—without a homeland  
a man has no heart."  
Mr Michael Edgley, an im-  
presario, an official of the  
Australian Foreign Affairs  
Department, and Mr Harry  
Bluck, secretary of the Musi-  
cians' Union, were also present  
at the meeting.  
After the 15-minute press  
conference the violinist's inter-  
preter, Mrs Alexandra Skobe-  
leva, said that she did not  
think his request to go home  
was genuine. "I do not believe  
he was saying what he really  
felt. I think he was frightened  
of another Russian in the  
room."

The Soviet cultural attaché  
failed to produce Mr Yermo-  
lenko at the Supreme Court  
today under a writ obtained by  
Perth students.—Reuter, AP.  
Our Melbourne Correspondent  
writes: Fears were expressed  
tonight that the Yermolenko  
affair may have unhappy  
repercussions for the Moscow  
visit by Mr Whitlam, the Aus-  
tralian Prime Minister, in  
December. The Soviet Embassy  
in Canberra was extremely cri-  
tical today of the manner in  
which the affair had been han-  
dled by the Australian Govern-  
ment.  
An embassy spokesman said  
that a ban by trade unions on  
Mr Yermolenko's flight home  
was an unlawful attempt to  
prevent a group of Soviet  
musicians from leaving Aus-  
tralia. It was an attempt to kid-  
nap Mr Yermolenko and to put  
psychological pressure on Pro-  
fessor Kabalevsky, one of the  
world's greatest living com-  
posers, according to the  
spokesman.  
Professor Kabalevsky is the  
leader of a group of seven  
Russian musicians who have  
been visiting Perth.  
Senator D. Willesee, the Aus-  
tralian Minister for Foreign  
Affairs, said in the Senate  
today in reply to questions,  
that he had held several con-  
versations on the matter with  
Mr V. N. Smirnov, the Soviet  
Chargé d'Affaires, in Canberra,  
but he had no intention of dis-  
closing their nature.  
Opposition members in both  
Houses of Parliament have  
censured the attitude of the  
Government.

**Bill lays down jail terms  
for aiding objectors**

Our Correspondent  
Cape Town, Aug 14  
South Africans who encour-  
age the refusal of military ser-  
vice will be risking prison  
terms of up to 10 years or a  
fine of up to 10,000 rand  
(£1,000) or both under a Bill  
which has been introduced in  
Parliament in Cape Town.  
The Bill is the Government's  
response to a recent resolution  
passed by the South African  
Council of Churches on con-  
scientious objection. The resolu-  
tion called on churches to chal-  
lenge all their members to con-

sider whether Christianity in  
South Africa did not involve  
them in becoming conscien-  
tious objectors.  
The proposed legislation will  
prohibit anybody from advis-  
ing, encouraging, aiding, incit-  
ing or instigating any other  
person "or any category of  
persons in general" to refuse  
to render military service.  
The legislation is likely to  
cause considerable controversy  
as it is calculated to inhibit  
any debate on conscientious  
objection to the lines called  
for by the South African Coun-  
cil of Churches.

**EC seeks worldwide help  
to combat drug smuggling**

Brussels, Aug 14.—The Euro-  
pean Commission today asked  
the United Nations Conference  
on the Law of the Sea to main-  
tain freedom of navigation on  
high seas but to move vigi-  
lantly against drug traf-  
fickers and pirate radio  
stations.  
A draft submitted by the  
EEC members maintained the  
principles already in the  
Convention on the High  
Seas, but they must stay in  
force for areas beyond terri-  
tories.  
The EEC proposal thus runs  
counter to the wishes of a  
number of countries here, in-  
cluding coastal nations and de-  
veloping countries, which want  
to extend their jurisdiction to  
whole of the proposed 200-  
nautical mile zone.  
An article suggested by the  
EEC would tend to strengthen  
international control over ships  
under national flags.  
The proposal would enable  
strict application of the  
legal and technical  
of navigation. The pro-  
posal particularly empha-  
sized the need of merchant  
ships to ensure a flow of  
aided officers and adequate  
devices on ships.  
The other proposed EEC  
measures that suggest that  
measures be taken to suppress drug smug-

gling on the high seas. It sug-  
gests that nations be author-  
ized to seize such cargoes from  
ships of under an agreed ton-  
nage, and that any country  
that suspects a ship of smug-  
gling drugs could ask the co-  
operation of other countries to  
halt the traffic.  
The EEC also proposed that  
governments be empowered to  
move against pirate radio  
stations operating on the high  
seas. A number of such  
stations have operated in Eu-  
rope, especially in the English  
Channel. The EEC suggestion  
would authorize a government  
to arrest people and ships on  
the high seas broadcasting un-  
authorized programmes.  
Delegates were told that six  
multinational companies would  
soon be able to begin com-  
mercial exploitation of metallic  
nodules on the floor of the  
Pacific Ocean. The nodules  
contain manganese, copper and  
other usable metals.  
There has been much contro-  
versy here on who owns the  
rights to mineral and other  
resources on the beds of what  
are called the "high seas" and  
on whether some international  
authority should be set up to  
license or at least supervise  
companies that want to exploit  
these resources.—Agence  
France-Presse.

**Lonel Gaddafi  
s four  
ackers free**

Libya, Aug 14.—Libya has  
ad four guerrillas who hijacked  
a Japan Airlines jumbo  
jet it had left Holland  
last year, then blew it  
up at Benghazi airport.  
Palestine Liberation Orga-  
nization spokesman here today  
issued a report in a Beirut  
newspaper that the four  
who include a Japanese,  
d in Damascus yesterday.  
A newspaper said that  
el Muammar Gaddafi, the  
leader, had personally  
decided to release the  
jackers after approaches  
by Yasser Arafat and  
Palestinian guerrilla  
leaders.—Reuter.

**Another 36  
'plotters' jailed  
in S Korea**

Seoul, Aug 14.—A military  
court here today passed prison  
terms of from five years to life  
on another 36 South Koreans  
for their involvement in an  
alleged anti-Government plot.  
Of the group, believed student  
activists for the most part, one  
was jailed for life, 13 for 15  
years, another 13 for 12 years  
and the remaining nine for from  
five to 10 years.  
This brought to 135 the total  
number convicted by the tri-  
bunal under President Park  
Chung Hee's April decree out-  
lawing the National Democratic  
Youth Student League, who are  
alleged to have concocted the  
plot.—Agence France-Presse.

**Heavy fighting near vital  
Vietnam supply route**

Da Nang, Aug 14.—Heavy fight-  
ing erupted round the  
of Hoai Nhon in South  
Vietnam's central coastal area  
Highway 1, a crucial sup-  
ply route, the Saigon  
newspaper said today.  
More than 70 communists  
were killed in a clash  
yesterday, while Govern-  
ment losses were two killed  
and 1 wounded.  
Near to Saigon, 11 rockets  
fired at the big Bien Hoa  
air base for the fifth suc-  
cessive day. One civilian was  
killed and 16 people were  
wounded in the attack. The  
base hit a mental hospital  
destroyed six houses, but  
did not affect itself.  
Vietcong spokesman here  
said that 80,000 people  
had been freed from Govern-

ment control and 12,600 Gov-  
ernment troops put out of  
action in a month-long series  
of battles in the northern and  
central parts of the country.—  
Reuter and Agence France-  
Presse.  
Phnom Penh, Aug 14.—  
Khmer Rouge insurgents, mov-  
ing from the north, attacked  
Government outposts defend-  
ing Highway 7 in a wedge-  
shaped piece of land between  
the Mekong and the Tonle Sap  
rivers, north of the capital.  
The Cambodian Command  
said several Government out-  
posts guarding bridges along  
the highway some five miles  
north of Phnom Penh came un-  
der insurgent fire. But Govern-  
ment defenders in the area  
beat back the assault. Casual-  
ties on both sides were  
reported as light.—AP.



The leather and wood have a strange magic; there is a soothing calm, and the pleasing reassurance of something traditional, familiar and very British. Sporting, gentlemanly, restful—with the promise of excitement, this is part of a very special kind of world...Daimler





# Shopping around

Sheila Black

## Preserve fruits of your labours

Returning from glorious heat and sunshine to my London garden in the rain, I thanked the lady who had arranged to water my plants in my absence. "Don't," she said. "I didn't do a thing because nature did it for me." So the yellowing tomatoes on my roof were still yellow and the cucumbers still hard and green. Indeed, the tiny bit of gardening I can manage in the few square yards I have convinced me that we shall all have to be looking up green tomato recipes this year, and making lots of fruit preserves rather late in the summer. If we get a summer.

Harbenware, whose paella frypan and compact set have been proving their worth while I have been in Ibiza, make a really good preserving pan. The diameter is 9in and it holds 11 pints. That may not be big enough for many households, but it is a good pan with non-stick interior and it sells complete with tough, heatproof



plastic stirring spoon. The handles do stay cool enough to hold and the eventual price of £5.83 is pretty good compared with the cost of similar pans I have seen this year. Better still, it is being sold now and for a short period at a special, reduced, introductory price to you of £3.90 per pan, post paid. Use it as a stewpan for large fowls and hams or soups. And you will also find it very useful for homebrewed beer (may I repeat that Boots is the best in this line).

I must also recommend the Harbenware poaching skillet with plastic containers for the eggs. Having used the three-egg

## Save the postman a walk

We still enjoy a great many services in Britain that are unique. A nationally delivered daily paper is one of them. Although there are a few areas of delivery in parts of some other countries, no other nation gets our kind of service. Much the same is true of milk deliveries, so often in jeopardy and so far—always saved in time.

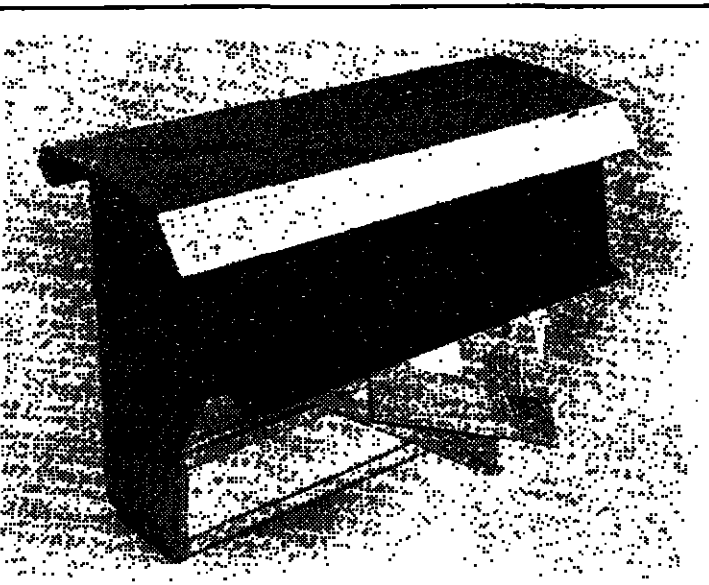
Our postal service is also rare. In no other country do postmen trudge miles to reach an isolated letterbox. In America, and much of Australia, people who live well off the main roads plant their mailboxes down on the roadside. My guess is that such roadside boxes will, before long, be compulsory in Britain for householders with long driveways. It is logical, to save time, petrol and personnel.

A good many people already like the roadside box. I have seen them in places like Suffolk and Yorkshire, where they are usually rather haphazard contraptions like old wooden boxes with ill-fitting lids, large biscuit tins and even bits of old drainpipe. Unsafe, I should have thought, but we are, so far, a trusting and trustworthy race.

A really good, weatherproof aluminium postbox with locking lid costs money but it holds newspapers, plenty of mail and can readily be fastened to a gate, post, wall or even a convenient tree. Of anodized aluminium, with a black lift-up flap, it really looks very smart. An acetate cover protects name and number. It is about 13in long by 9in high by 3in deep at the base, widening near the top. The "lid" is bigger to protect the whole from rain.

I must make it clear that, when the lid is locked, a hand could still be got into the box under the flap to haul out letters or papers. I do not see how anything can be done about that since there has to be space for getting things into the box in the first place. But, at £13.90, this is a lot cheaper than totally anodized models.

Write to Fairline Supplies, 124 Crickwood Broadway, London N.W.2 (01-450 4844).



## Adding a personal touch to bathing

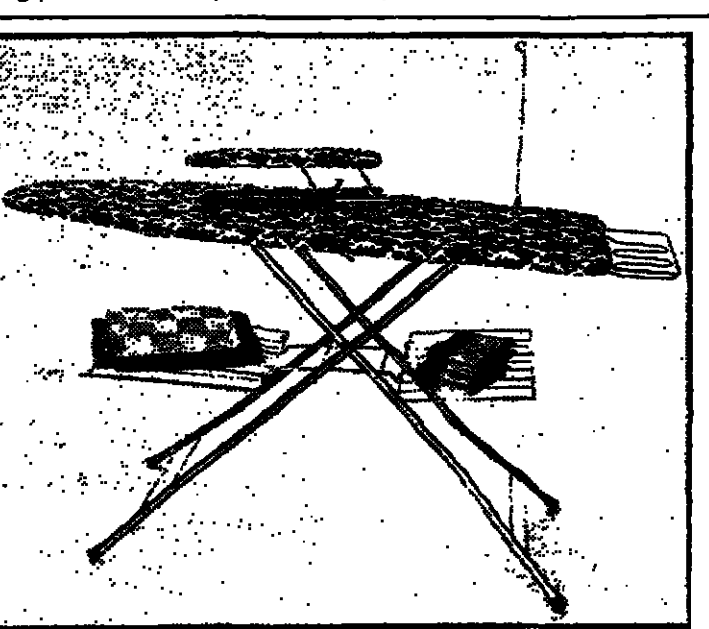
I gather that at least 1,500 Time readers are ordering personalized towels at intervals, for themselves or as gifts. They, and others too, may like to know that the firm doing these named towels (several orders substitute some very peculiar messages for names) is now in the bathrobe business.

The bathrobes are of Christy's extra-soft, wet-finished towelling, very fluffy and soft. What is more, the towelling becomes even fluffier after several washes and is lovely next to the skin. The robes are generously cut in white, royal blue and cerise pink (these match the towels of the same colour). Initials (up to a maximum of four) are embroidered on the pocket, that shows, that is, for themselves or as gifts. They, and others too, may like to know that the firm doing these named towels (several orders substitute some very peculiar messages for names) is now in the bathrobe business.

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● Cards to Keep were first introduced last autumn and, although they cost 30p each, they rapidly became popular as semi-gifts, welcomed by young or old. They are still 30p and they are beautifully drawn and produced. The cards are folded, like small screens, and open up into eight "pages" of pictures and facts about the pictures. For instance, the card on "Kites" tells you about different kinds of kites and even gives making instructions, with lists of essential materials for the job. "Ponds and Streams" is lovely, with excellent colour and artwork, giving a clearly indexed chart in pictorial form of flora and fauna. Cats must appeal to cat-lovers and there is a particularly topical one called "Seashore" in preparation are garden birds, herbs, dogs, Christmas Fare, flowers of love, butterflies



● My ironing board has worn so well—it was one of the first with a cover made as a spinoff of space research, to resist burning—that I have never had to think of a replacement. Thus I was rather shaken when I came to study the prices of even the most rickety, simple ones without adjustable-height mechanism. I seem to use mine at various heights according to what I am ironing, which is always as little as possible, or where I am doing it.

Since there is nothing more infuriating than an inefficient

ironing board, it is worth looking at the Libelle range, despite the prices. A case of getting the quality and the width, plus flexibility and a few extras, for these can be bought with racks under the board to hold the ironed garments. Folding stools are sold, too, with seats that can be inclined on a really stable framework.

Now comes the bad news. Tables start at about £16 for the very basic and go up to around £23. Sleeve boards are extra. Or you can merely refurbish your old one with a new cover (from £1.95 for printed cotton, up to £5 or so for Nomex

fire-resistant material). The stool is another £9 or thereabouts.

Now at many stores. In London—Selfridges, Bakers, John Lewis, Barbers of Fulham, etc.; outside at Lassetters of Guildford; Lewis's stores in Manchester and Liverpool; Rice-man's of Canterbury; Army and Navy of Bromley; Williams and Griffiths of Colchester; Welwyn Department Stores and many others whose names can be got from the London office of La Soie Limited. The address is 13 Charlotte Street, London, W1P 0DB, and there are colour leaflets available.

## Say it with flowers

● Cranleigh Carnations have never let me down. Their blooms arrive well-packed and with the preserving crystals that do really seem to lengthen the life of flowers. I have written of them before but they are now running an extension service of orders by telephone for those who never remember important anniversaries until the last moment.

Telephone before 10 am and freshly-cut carnations are then despatched at once by first class post—so far they have always arrived next

day whenever I have ordered. But do not arrange for posting on Saturdays. If you can remember in advance, your handwritten messages will be packed with the flowers. And if you want to give an advance list for the year of special dates that you should not forget, that can also be arranged. In mixed colours, 12, 18 or 24 carnations cost, respectively £2.10, £2.65, and £3.50. A surcharge of 50p on all boxes posted in December helps to meet the overtime costs. The address is Cranleigh Carnations, Guildford Road, Cranleigh, Surrey GU6 8ER, Cranleigh 4190.

## BOOKS ONE

# The restoration of Great Tom

The Letters of Thomas Babington Macaulay

Edited by Thomas Pinney

(Cambridge, £10.50 two vols.)

The affection which I bear to you and Hannah is the source of the greatest enjoyment that I have in the world. It is my strongest feeling. It is that which will determine the whole course of my life and I shall now buy one and a far happier man than anything else could have made me.

Our portrait of Thomas Babington Macaulay, absolute public servant, historian and bachelor supreme, is being dramatically cleaned. His 11 volume manuscript journals in Trinity College, Cambridge, is being prepared by Dr R. Robson for eventual publication. Thomas Pinney has already edited a Chicago selection of Macaulay's prose with John Clive—the lack of a comparable volume in the Penguin English Library is astonishing—and readers who devoured Clive's splendid account of Macaulay's career up to 1839, published last year, will need to know little more of Pinney's two volumes of letters than that, applying the same standards of sympathy and scholarship, they complement Clive's account to perfection. Great Tom is blest in his American restorers.

His absolute seductiveness of Macaulay's character and correspondence works slowly, but it works, in both senses of the term, for good. The more we learn the man the more we love him. The more we read his letters the more we realize that thought that we were doing so would have horrified him—the more we see that their moral compass informs the historical sanity of his published work. "He came into the world," Macaulay wrote of Byron in 1831.

...and the world treated him as his mother had treated him, sometimes with fondness, sometimes with cruelty, never with justice.

This was the article that contained one of his most famous sentences ("We know no more of the world than we see in the British public in one of its periodical fits of morality") yet we now learn from the letters that none of his early work for the *Edinburgh Review* gave him so much trouble as he found the whole subject of the Reform Bill and had no wish to blast Thomas Moore, whose book was the pretext for the piece. He had declined the project at first and finally sent his copy to Edinburgh in a spirit of deep gloom, believing it to be the worst piece he had ever written. Professor Clive's biography, by omitting all reference to it, would seem to concur with Macaulay's own verdict, yet surely its passages to and fro between anger and analysis are superbly fair and to the point and writer. There was, after all and even in 1831 from



Macaulay in 1833, by Samuel W. Reynolds, Jr.

the son of Clapham virtue, the prodigious delight of Holland House and Hannah Mordaunt, to be justice for Lord Byron.

Two years later, in what Macaulay considered the best writing he had done to that date, there was even to be justice for Horace Walpole whose inverted priorities ("After the labours of the printshop and the auction-room, he unbent his mind in the House of Commons") he detested even more than Byron's talent for the destruction of his fellow human beings. If Byron was a wretched victim of English hypocrisy, Walpole was at least a dazzling entertainer who gave a mindless public no more nor less than it required: the point about both Byron and Walpole was that, digging from different directions, they had cut at the very roots of Macaulay's own existence. Each was a fashionable who had abused his position of privilege in English society, and had murdered by his conduct and his example, the idea of the family. Such irreverence was darkening.

That it was his aim, as a brilliant young politician of the Reform Age, to live a life of responsibility and public usefulness, and that he was irreverent in so doing by the enormous emotional resources of his family background, are

the two factors resoundingly present on every single one of these 700 pages. This is why the letters, besides being so unfailingly enjoyable, often funny and spontaneous, are so important a key to the mind and writings and career of Thomas Babington Macaulay.

Professor Pinney, who writes with a Macaulayan precision himself in his Introduction but remains properly discreet in his informative footnotes, plans further volumes to include a total of some 2,500 letters in all. They come chiefly from Trinity and the British Museum, with significant additions from American libraries, particularly the Morgan, and the Huntington, in California. Sir George Trevelyan's *Life and Letters* (1876) used much of the material but tinkered with it outrageously; some of the letters to Napier of the *Edinburgh Review* were published in 1879; otherwise the correspondence has never been fully and properly presented before, and much of it appears now for the first time. Pinney gives the provenance of each letter as it occurs and is scrupulous as to deletions, tears, seal-marks, etc. but none of this detracts from the sheer pleasure of what is also a reading education.

Macaulay was born in 1800, and the first volume covers his

childhood (a pompous Wanda kind, prattling of endless adoloscence (homesick, reading voraciously and every month more human), the year at Trinity, then as a young lawyer travelling the North Circuit and, in 1830, as MP for Calne in the last of the now formed Parliaments. Volume I is longer but covers two years only. It is one of the best Reform Bill and some of the legislation which followed, did not follow, that traumatic divisive measure, Macaulay was chosen as MP for a crucial new seat at Leeds, was appointed in December 1833, to the Supreme Court of India. It was India that he was to practice most productively his ideal of public usefulness. It was in India that he saved enough money to buy himself the dependence to write more frequently and to support dependents who were feeling the cold blast of his father's effective bankruptcy.

Zachary and Selina Macaulay had nine children, of whom Tom was the eldest. We are told from Clive that his father's wife Hannah (b 1810) Margaret (b 1812). He had no other woman, least of all an exhausting madam he refers to as Polly Ticks.

What we can now see is the extraordinary intensity of feeling shared by the Macaulays had been prepared for the future. It was a deep affection for the family into which he had been born. If he was ambitious was to share his joys achievements with his parents and sisters. If he was disappointed, it was often them. When his sister died of tuberculosis in September, 1830, the whole family shuddered as one organism. Macaulay drew together from the Tom, who was enjoying his trip to Paris, whence he sent them a brilliant dedication of the Palais Royal, rue home at once, despite parents' assurance that he need not do so.

We must love each other and better, my darling, the Macaulays, when there is a deep affection for the family into which he had been born. If he was ambitious was to share his joys achievements with his parents and sisters. If he was disappointed, it was often them. When his sister died of tuberculosis in September, 1830, the whole family shuddered as one organism. Macaulay drew together from the Tom, who was enjoying his trip to Paris, whence he sent them a brilliant dedication of the Palais Royal, rue home at once, despite parents' assurance that he need not do so.

When Margaret married on it ("She is dead to me: what I see is only her ghost and her life around her") India as his hostess. W. Hannah married, he lived her and her husband. His ambition paled paled and he wrote the *History of England*. Personal life was his passion and he finally allowed it to him.

Michael Ratcl

## Group mind at work

Seventy Years

By Lady Gregory

Edited by Colin Smythe

(Colin Smythe, £9.75)

In her later years Lady Gregory was often compared to Queen Victoria, and among the theatrical matriarchs of the century she must be reckoned as the most successful. The Abbey Theatre, as mistress of Coole Park, and in her own writing, she played three vital roles in the Irish Literary Revival; and, even without the new evidence of these memoirs, it is clear that personal ambition is nothing to do with her achievements. She saw there was a lot of work to be done, and she wanted to be useful.

The penalty, to which the foregoing paragraph bears witness, is that people are apt to describe her like a civic monument. Irish gossip, which pulls the grandest down into the mud, and which she anatomized in her brilliant little comedy *Spreading the News*, never touches her. In spite of her ease with the Galway peasants, she remains an impersonal and remote presence, ready in her forties before she arrived on the public scene, and never striving to compete with the powerful personalities who clustered around her in Coole and Dublin. Her inclination, she says, was to put her life among her intellectual superiors; and Yeats likened her to "an anvil to beat out my ideas on".

The full Gregory autobiography is obviously an important literary find, but any hope that it will bring her into intellectual limelight is disappointed. In other ways, the book is disappointing (a view evidently shared by her publisher, who sent it back with a request for changes and then allowed it to disappear into the family archive where it gathered dust for 40 years).

Even without her weary and repeated admissions, it is clear that she took no pleasure in writing it. Self-portraiture was hardly her forte. The story of the Abbey in *Our Irish Theatre* she also found "crushing work" undertaken only to "save a great deal of trouble to us all in the future". That book, at least, was a connected composition. *Seventy Years*, by contrast, is hardly written at all. It consists largely of letters, diary entries, and remembered sayings, loosely assembled by subject and chronology, but otherwise no more than the raw material for a book. It illuminates areas one knows something about; on the unfamiliar ground of her childhood and married life it is pretty impenetrable.

After a religious childhood on her family's Roxborough estate she married, at the age of 28, the 63-year-old Sir

William Gregory, a former Governor of Ceylon. Elizabeth Coxhead, her biographer, calls this a love match; there is no doubt that it was. One gets virtually no impression of what Sir William was like, except through his own vigorous remarks. Instead we get the memories of a dutiful wife following in her husband's footsteps, and the collections of the diplomatic set in Egypt, philanthropic work, endless accounts of London dinner parties and Athenaeum acquaintances.

Given so many notabilities to pick from, it would be surprising if some interesting fragments did not break through. Gladstone is renowned as a bore, but someone springs to defend his sense of humour because "he had said, 'There's someone standing on my wife's train and she doesn't know it.' Gladstone had gone into uncontrollable fits of laughter over this." Kingslake, Browning, Sir Alfred Lyall, and (a really close attachment) William Blunt are among those who get a chapter apiece, but with the exception of the National Gallery director Frederick Burton whose awkwardly withers character comes over with some force, the impressions of these men are swamped in myopic detail: as Yeats told her, she was too kind to bring them to life.

Arriving at the years of the Literary Revival, it appears that she has nothing more to say about the Abbey (having told that story already) and nothing to add on the subject of Hugh Lane and the Dublin Municipal Gallery (having told that story, too, elsewhere). So, again, it is rambling reminiscence in which she still effaces her impressions in deference to her brilliant companions. The difference, though, is that she is now at the centre of things and the companions really are brilliant.

What the Coole chapters drive home is the sense of a group mind at work. Somehow, the sport, mysticism, husbandry and folk-lore all cohere, and generate a common fund of energy for a set of widely dissimilar talents. Smythe, she says, would have squandered his gifts as a cosmopolitan aesthete if the movement had not drawn him into its orbit. She herself, she says, would have been a writer even without Yeats's help; but "a writer of middle articles in literary papers, or one of those 'dull people who edit books.' As it was, she found a task. She wrote simply because at that time comedy was so much needed." She saw the transcription of Irish legend as a means of raising her country's dignity. "So," she notes soberly, "I will try to carry it out, and am provided with work for the rest of my life."

Irving Wardle

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## Export Corridors of the World

# INDIA

### Relentlessly rising import prices fire export drive

by Tim Coagdon

A developing country like India has a growing need for foreign exchange to finance economic expansion. The Government has been pursuing a policy of encouraging exports and a number of promotional agencies have been set up.

This effort has become even more essential in the last 12 months. The gradual rise in the price of many commodities imported by India in large amounts, not only has the price of oil risen dramatically but items such as newsprint, wheat and other foodstuffs have also become more expensive.

Government policy has been framed with the help of the Federation of Indian Export Organisations, which communicates the views of exporting organisations to officials and politicians. Its members are 19 export promotion councils, a number of banks and chambers of commerce. The export promotion councils deal with the whole range of Indian exports, but each specialises on a particular area, for example, there is an engineering export promotion council and a cotton textiles export promotion council.

With this framework it has been easier for the Government to lay down guidelines for private industry and thereby ensure that national objectives are pursued. A further indispensable element in policy has been the setting up of a number of government undertakings and the recognition of export houses.

Government undertakings are most active in import trade because the limited amount of foreign exchange available has to be rationed in accordance with national objectives. It has been felt that the most desirable way of doing this is to entrust the job of importing to government concerns. If a private individual or concern wishes to import something it has to obtain a licence from the Ministry of Finance and see that the transaction is handled by one of the government undertakings.

With the new urgency of an improvement in exports, these are taking an increasing share in the export trade. The policy of directing exports through them is known as "canalisation" and has been a marked feature of the past three years. The State Trading Corporation, with its many subsidiaries, and the Minerals and Metals Trading Corporation are the

principal organizations involved. The other set of institutions closely influenced by government measures are the export houses. There are about 250 such houses, all of which hold this special status from the Government. It enables them to certain fiscal incentives, special export credit facilities and to conduct trade in some articles prohibited to ordinary commercial organisations. To qualify for these special privileges an export house has to have exports of Rs2.5m in non-traditional exports or of Rs20m in traditional exports.

The distinction between traditional and non-traditional exports is fundamental to the planning process and to government thinking in general. There is a determination that India must not remain a seller of primary products and a buyer of finished goods into the indefinite future.

Non-traditional exports include such items as engineering products, iron and steel and footwear. Traditional exports include such items as tea, jute and cotton textiles. In 1973 the value of non-traditional exports exceeded that of traditional exports by Rs1,500m. During the fifth plan traditional exports are expected to stagnate and should stand at only Rs8,400m in 1978, just Rs600m above their present value. But non-traditional exports should climb to Rs15,120m, with engineering products, for example, showing a spectacular rise from their present value of Rs1,500m to Rs4,000m.

The Indian Government considers this to be in part a policy of diversification. With a wide range of exports it should be possible to withstand the adverse effects of wild fluctuations in the price of commodities on the world market. This is receiving priority as two of India's major exports, tea and jute, have been severely hit in recent years by world conditions. There is a long-term taste change from tea to coffee, even in markets such as Britain where tea has long been dominant. Jute, on the other hand, has suffered from the competition of a number of artificial fibres and synthetic materials.

But it has other objectives. One of the weaknesses of the economy in the past is that "unit value realisation" has been low. What this means is that each unit of exports sent from India commands a low price, mainly because it is an unfinished or unprocessed commodity. There have been a number of attempts, therefore, to ensure that a higher proportion of "value added" is added in India.

These have taken a variety of forms. The first is a set of fiscal incentives for exporters. If they intend to send products abroad when they have been completed import licences required for production are granted more readily. If there is an import duty



Two aspects of India's problem economy: a bad monsoon could cut the wheat harvest these villagers are gathering near Calcutta. The Atomic Centre at Trombay, near Bombay: energy without costly oil imports.



a rebate on this duty is given. Occasionally straight subsidies are granted to exporters, although this is unusual. An exception is the practice of providing subsidised freight-space on Air-India, if a particularly valuable order is at stake.

This policy of fiscal inducements is being continually reviewed and refined. On April 1 last year, for example, a directive was issued to firms saying that the grant of an import licence for raw materials would be easier if they would then be used for exports with more than 25 per cent of value added in India.

Secondly, quotas are occasionally placed on exports of unfinished goods. For example, the rapid growth of tanned leather exports was regarded unfavourably in the early 1970s because it would be further processed then manufactured in other countries, suggesting that India had missed an opportunity for its own industry. In 1973 a quota was placed on all the private companies operating in the export of tanned leather. It was hoped that, by obliging them to establish factories, it would increase employment, as well as augmenting unit value realisation.

Thirdly, exporters are given good credit terms by the major banks. They are usually charged a rate of interest 2 per cent or more less than the going commercial rate, as well as being given preference over less essential domestic borrowers.

But the size of the interest rate discount and the availability of loans are conditioned by the comparative importance of different exports. The export of engineering goods is generally given substantial encouragement and there are few difficulties with finance.

However, it is not only the tendency of government policy which matters but also the port and transport facilities at hand for dealing with a rising volume of exports. Bombay is the most important port in India and the commercial and financial centre. In 1972 it handled 15,500,000 tons, but this was mainly on the importing side.

The major exporting corridors are, in terms of volume of cargo, Calcutta and Madras. Although Calcutta is facing increasing problems because of the silting of the Hooghly a satellite port at Haldia has been constructed. The traditional exports of tea and jute pass through Calcutta, although it is increasingly important for the export of engineering goods.

Madras is foremost in the export of leather and certain handloom textiles. A new outer port is under construction there—and at another major port a few hundred miles farther north along the eastern coast, at Vizagapatnam—which should be able to handle ships of up to 150,000 tons.

A variety of new port developments are at different stages of completion. Two major ports at Mangalore and Tuticorin are expected to be commissioned this year, with Mangalore already pre-eminent in the export of coffee. Mormugao, in the former Portuguese colony of Goa, handles large tonnages, principally because its main export is of iron ore.

These developments should serve to reduce turnaround times for vessels delivering cargoes to Indian ports. But, more important, they will clearly contribute to a more rapid expansion of exports as a whole.

Vital to the recent upswing in exports has been a competitive exchange rate. Government policy is basically to maintain parity with the pound. Since 1971, as the pound has floated steadily downwards, the value of the Indian rupee has declined in relation to most currencies, making Indian goods cheaper throughout the world. This has stimulated export sales, particularly of items like cotton textiles and seafoods where demand varies according to price.

But there are no plans for any further adjustment of the exchange rate. The facts that orders continue to rise, and that an ever broadening range of products is being sold overseas, demonstrate India's ability to withstand higher oil prices, the fertilizer shortage and a soaring import bill, by keeping exports competitive with those of other countries.

### Monsoon holds key to stable economy

Every year is a difficult one for the Indian economy, but 1974 is likely to prove more difficult than most. A sequence of misfortunes, most of them unforeseen and all of them unavoidable, have hampered the economy in the past two or three years. The question now is whether or not India has reached a turning point.

The enduring problem is poverty and India's attempts at economic development to reduce it. However, for the time being it has been overshadowed by two more immediate and pressing problems: the balance of payments and inflation. It is ironic that despite large differences in income level and economic structure, India's difficulties should resemble so closely those of the advanced nations.

The oil crisis has afflicted one of the poorest countries in the world even more savagely than it has affected the most affluent. In 1973 India imported about 12 million tonnes of crude oil and three million tonnes of petroleum products. In 1974 and 1975 it had been expected to import larger amounts, because of the greater needs arising from economic growth.

But with the leap in oil prices, to buy this quantity would require a foreign ex-

change outlay of Rs12,000m (about £700m), equivalent to almost two-thirds of export earnings. The higher bill cannot be paid without some radical policy adjustments.

Three main ones are envisaged, each with important ramifications for the rest of the economy. The first is to restrict imports by a tightening of the licensing arrangements.

Steps such as this seem inescapable. But they threaten to starve India of vital components and semi-finished manufactured goods, quite apart from the welfare loss to consumers from the virtual prohibition of certain imports. A ban has been placed on the import of more foreign films; it will become almost impossible to buy a foreign car; and the waiting periods for the purchase of foreign records, which used to be about 12 months, may now be extended almost indefinitely.

Second, measures will have to be taken to restrict fuel consumption and to promote domestic production of energy. Many have already been put into effect. The duty on petrol has been increased, to bring the price of a gallon to about £1. No rationing is in force, but certain industries, notably electricity generation, have been

advised to economize on oil and to use alternative power sources.

Domestic oil output is being increased and foreign oil companies are being encouraged to explore the Bombay High, an offshore belt believed to have significant oil deposits. The coal industry has recently been nationalized and, again, there are plans to step up production. However, there have been production difficulties, largely because of the teething troubles caused by the change to a new organizational system.

Finally, exports must be increased. No special measures have been taken, partly because the fast export growth of 12 per cent recorded in 1973 has been interpreted as a sign that Indian goods are competitive in world markets and improved sales can be expected for some time yet.

But this will depend on the success of efforts to curb inflation. In 1973 wholesale prices soared by no less than 22.6 per cent: a record—but not one India would like to repeat. If this were to continue, the present price advantage which Indian goods have in world markets would be eroded.

A vigorous credit squeeze has, therefore, been operating since autumn last year. The statutory liquidity ratio of commercial banks was raised by two points to 32 per cent of total liabilities in December. The central bank indicated its unwillingness to extend too much help to commercial banks by instituting quotas on its lending and by raising the maximum lending rate from 12 to 15 per cent. The final element in the package was a 10 per cent ceiling on the growth of bank credit (except for exports and food procurements) between September, 1973, and March, 1974.

The hope must be that these tough measures will restrain the rise in prices. Indeed, government planners said that it was necessary to curtail growth to put the economy back on course by a "calculated pause" which would concentrate on limiting inflation.

One of the factors in the earlier bout of inflation had been the explosion in the money supply. This had followed two or three years of massive deficit financing on the part of the Government. The Bangladesh crisis in 1971, and the outbreak of hostilities, made this inevitable. The war had to be paid for somehow and it would have been unpopular to raise taxes by a sufficient amount. Recourse to the banking system was the only option. The diversion of resources to the war effort also slowed the implementation of the present five-year plan. To make good the shortfall from targeted levels of production there was a burst of plan spending in 1972, resulting in a huge central government financial deficit of Rs5,500m (or more than £300m). Bank credit to the Government amounted to more than twice this figure and the money supply grew by 12.9 per cent. In 1973-74, however, there was a sharp about-turn. The deficit, which had been initially estimated at Rs6,500m, came down to Rs3,200m. It was attributed to stricter control of government spending. It has enabled the central bank to be much tougher on its credit policy.

But in 1974-75 an even more determined effort is being made to prune the deficit. The intention is that it will be reduced to Rs1,250m despite increased public sector outlays on industry. This, rather than a system of controls on prices and incomes, is the Government's main weapon in its battle with inflation. However, the sincerity of the Government's attempts to stabilize the economy may be futile if this year's crop of wheat and rice is disastrously low. Much therefore depends on the monsoon.

Although it will be some months yet before its effect on crop production is clear, the first signs are ominous. In Bombay the monsoon was a month late, but when it came it was torrential: 15 inches of rain fell in 12 hours.

To have a large bill for wheat imports superimposed on the higher price of oil would be another terrible blow to the Indian economy. Considerable assistance from abroad—particularly, and most unattractively, from the United States—would be essential.

T.C.

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This report appears on India's Independence Day. When completed, the Export Corridors series will be republished as a booklet which will be available from John Oliver, Commercial Manager, Special Reports, The Times.

## Some of Solomon's splendour came from Supāra an ancient city near Bombay



**K**ING SOLOMON'S reign stretched from 974 to 937 B.C. He spent thirteen years of this peaceful era in building a magnificent palace. The kingdom of Israel could not supply all the lavish decor that Solomon needed. So he sent Hiram, King of Tyre, to establish trade links with distant lands and bring back a wealth of material to match his splendid plans. From Supāra, Hiram took gold, silver and 'almug' or sandal trees. King Solomon also imported ivory and peacocks from India through the navy of Tharshish.

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## Benefits of policy of non-alignment

by Tim Congdon

There are probably few other countries in the world which send their products to such a wide range of markets as India. Its former role, as the focus of Britain's colonial and imperial trade, now seems generations ago. A breakdown of the geographical direction of its exports indicates its new position in the world, as one of the foremost non-aligned nations.

In the year 1971-72 India's most important export market was the United States. Out of a total value of exports in that year of Rs16,066m (about £860m) goods worth Rs2,631m were dispatched to the United States. But not far behind were three other countries very dissimilar in their political and economic characteristics.

Foremost among them was the Soviet Union, which bought goods worth Rs2,087m. The greater part of this was under long-term trade agreements, often accompanied by aid and technical assistance designed to foster Indian industrial development. Economic collaboration between India and the Soviet Union dates from the 1950s, but has received fresh impetus recently because of India's estrangement from the United States.

Trade with the United Kingdom is the subject of a separate article. The third largest market was Japan, which imported goods worth Rs1,825m from India. Japan's growing importance to India is a fairly recent development, having been determined by the rise of Japan to the status of a leading economic power. Its most important purchase has been signs of growing interest in some finished goods, notably handloom textiles. Japan's imports of handloom textiles from India climbed from Rs8.5m in 1971 to Rs27.7m in 1972.

After these four major markets come a great many others, scattered across the globe. The United Kingdom is still a bigger buyer of Indian goods than the rest of the world. The European Economic Community, but exports to the EEC have been increasing more rapidly and should soon overtake those to Britain. Ceylon and Bangladesh make large purchases, with Bangladesh still heavily dependent on India for aid, which is often tied to Indian exports. Soviet block countries, other than the Soviet Union and certain Arab states, notably Sudan, take up a significant share.

With this highly diversified trade structure India does not need to fear dependence on any one country for the success of its trade efforts. In this it is unlike some countries in South-East Asia which have been badly affected if Japan were to decide on a renewal of its former policy of economic isolationism.

Despite this the Government is trying to direct trade to certain areas, to help to define export priorities, and to isolate the most promising commercial opportunities. The principal method adopted for achieving these ends has been the completion of trade agreements with potential trade partners.

The most recent, and in many ways the most important, was a trade protocol signed on January 21 this year between India and the Soviet Union, which envisaged a 35 per cent increase in trade between the two countries this year to boost the combined total above Rs 5,000m.

The value of Russian economic cooperation is incalculable. The Soviet Union is able to supply certain goods, such as kerosene, sunflower oil, and above all fertilizers, of which India is now vitally in need. But Russian demands on India are much more readily met, being for such items as tea, leather goods, textiles and ready-made clothing which can be produced in much larger amounts without much difficulty. However, some disappointment has been expressed that the Soviet Union has felt unable to send any supplies of crude oil and that it does not intend to increase its shipments of newsprint.

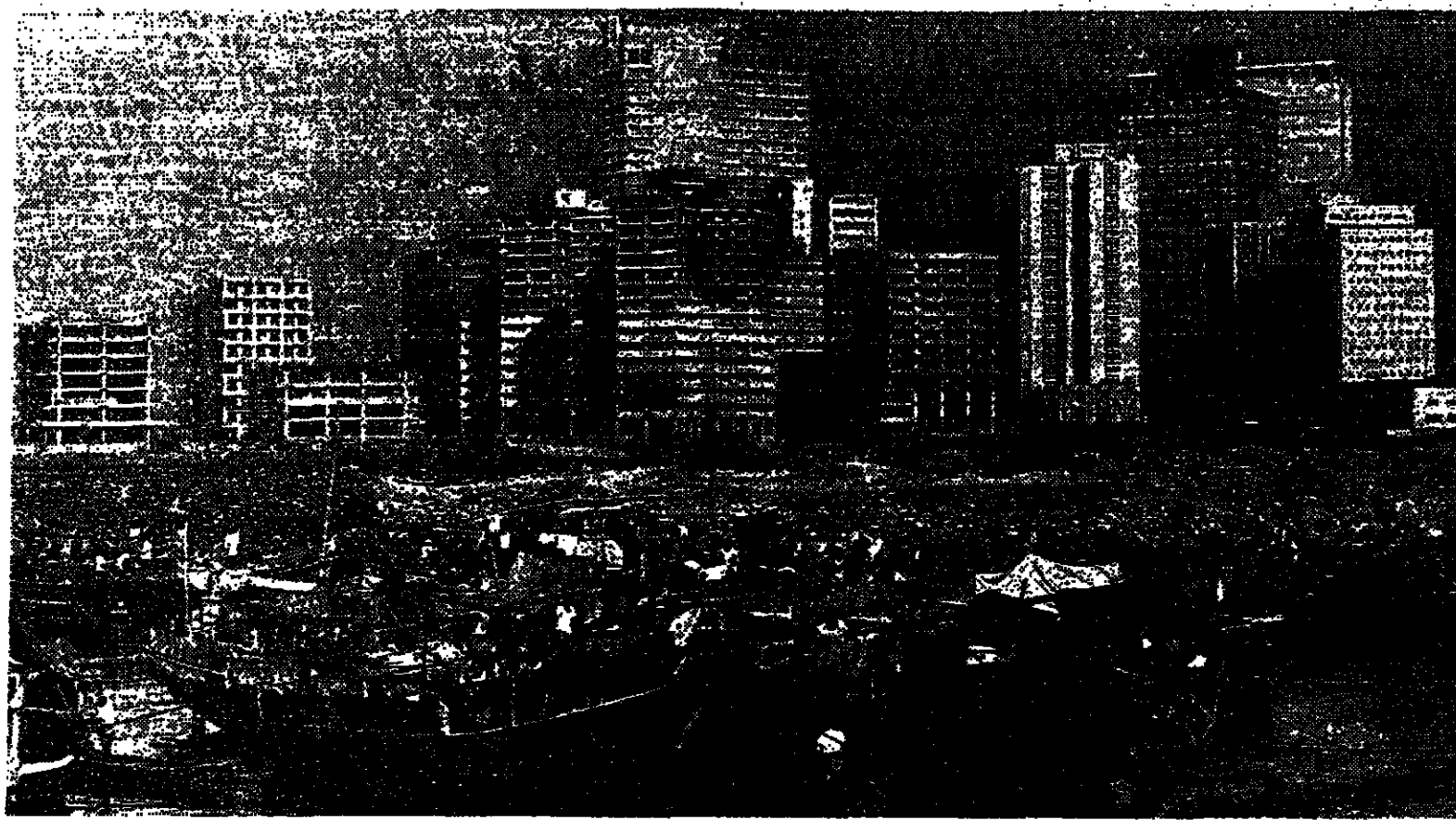
Because of recent differences with the United States, India has concentrated attempts to improve its trade relations with the western economies on the EEC. On December 17 last year a comprehensive commercial cooperation agreement was reached with the Community, covering an unusually wide range. By containing references to joint investment policy and the transfer of technology it far exceeded the bounds of ordinary trade arrangements. But, even in the humdrum area of tariffs and quotas, great progress was made. The enforcement of the common EEC tariff on British imports was deferred for another 12 months, and the Community tariff on jute and coir products was reduced by 40 per cent. And duties on common textile imports from India were removed, with effect from January 1 1974.

It remains to be seen how much scope for an increase in exports with the leading industrial economies remains. The booming categories of recent years—mainly garments, seafoods and leather, all, incidentally, from the south or west of India—have been helped by the lower rupee exchange rate, but further room for expansion remains on the more fundamental grounds of comparative labour costs and resource endowments.

Some shift of emphasis may be detected in coming months. The huge increase in the oil revenues of the Arab states and Iran provides a golden opportunity for Indian exporters, who are favoured by their geographical proximity. The recent trade agreement with Iran, also soundly based on diplomatic grounds may be only the first steps in this direction.

More basically, with the rise in world commodity prices, the balance of economic power, and more specifically of purchasing power, has turned towards the developing countries to some extent. There is every indication that India hopes to exploit this change, by providing project aid linked to the export of some of its manufactured products.

In this way it may succeed in changing the basis of its trade in commodity terms—that is, from being an exporter of primary products to being an exporter of finished goods by a prior change in the geographical orientation of its exporting activity.



A picturesque fishing community at Nariman Point, Bombay, with modern buildings rising on reclaimed land.

## Pacts with Soviet block may lose their gloss

by Christopher Davis  
group economist, National and Grindlays Bank

The pattern of India's foreign trade has changed rapidly in recent years. More often than not it has proved difficult to distinguish between features of a purely temporary nature and those which have represented longer-term trends. One exception to this, however, has been the dramatic growth of trade between India and the Soviet block, and with the Soviet Union in particular, as a result of which the latter country emerged as India's most important export market in 1970-71.

Since then exports to Russia have increased by a further 50 per cent in value, compared with a 28 per cent in total exports. The Soviet Union took a sixth of India's total exports in 1972-73, but, somewhat surprisingly, supplied only 6 per cent of its total imports, a figure which at first sight is not easy to reconcile with the widespread impression that the Soviet Union had in some sense replaced the United Kingdom and the United States (which together supplied more than a quarter of India's imports in the same year) as the main source of external support for the Indian economy.

One of the reasons why this view is now so readily accepted is no doubt the considerable publicity given to the visit of Mr Brezhnev to India towards the end of last year when the two countries agreed on a massive increase in trade. This reflected the Soviet Union's readiness to assist India's development programme, particularly with respect to the expansion of the steel, oil and power industries through credits, the amounts and terms of which will be settled by separate agreements.

Despite the obvious importance of this new initiative, it is not the first of its kind; that was signed in December, 1952, at a time when the volume of trade between the two countries was negligible.

Growth from such a low base always tends to appear

impressive when expressed in percentage terms. Many Indian economists note the fairly long time-lag that occurred between early statements of intent by the two countries to establish a closer economic relationship and the emergence of the Soviet Union as one of India's major trading partners.

The latest agreement covers a 15-year period, and thus stretches well beyond India's new plan period, so it reflects recognition by both parties that the areas in which Russian assistance is to be provided are those in which gestation periods tend to be rather long.

There is, in other words, little evidence from the information so far available of the Soviet Union's intent—even assuming it has the economic capability of providing direct and substantial support of the kind that the Indian economy appears more likely to require in the difficult period that lies immediately ahead.

Against this background, it follows that the recent emergence of the Soviet Union as one of India's trading partners needs to be analysed not only in terms of successive trade agreements but also in the light of India's own import requirements and export availabilities, thus emphasising the relationship that exists between the geographical pattern of the country's foreign trade and its commodity structure.

This relationship has been most obvious in the case of imports, where since the disastrous harvests of the mid-1960s and the subsequent benefits of the green revolution on foodgrain production, imports from the United States have fallen from 38 per cent of total imports in 1965-66 to a mere 13 per cent in 1972-73.

Likewise, imports from the United Kingdom also declined sharply in the late 1960s (a period in which the level of new investment in India was not buoyant), but then increased strongly again at the beginning of this decade once Indian import demand for such products as iron and steel and machinery recovered.

But the same has also applied to exports, where one of the reasons why traditional markets such as the United States and the United Kingdom have tended to decline in importance has simply been the large proportion of such trade still accounted for by traditional products (for example, jute, manufacturers and tea) which have been held back by slow growth in demand and adverse price trends.

By the same token, one of the most significant features of the commodity structure of India's exports to the Soviet Union in recent years has been its large component of non-traditional exports, notably aluminium and iron ore pellets. The possibility that similar agreements may be signed with other major oil producing states in the Middle East before long only serves to reinforce this conclusion.

Another agreement that can be cited as potential, if not so immediate importance is the Commercial Cooperation Agreement signed between India and the European Community late last year, and

although it is difficult at this stage to quantify the likely benefits of this to India, it could at least go some way towards mitigating the effects of British entry into the Community.

There are enough uncertainties in the situation to make it virtually impossible to assess just how far the pattern of India's trade will change as a result of recent developments.

For India, prospects on the development of all bilateral agreements in terms of trade flows ultimately depends on the growth in trade carried out on a multilateral (that is, free exchange) basis.

In the case of Iran, for example, substantial quantities of oil are to be purchased on deferred terms, while Iran is to make available nearly \$400m for the development of new export resources, notably alumina and iron ore pellets.

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Greater efforts are needed to increase exports which lag well behind world trends. But unless productivity is increased there could be an inflationary effect on the domestic market. On this page and on pages IV, VI and VII we look at how these problems are being tackled by various sectors of industry

## Increased sales abroad bring some confidence in future

by Amalendu Das Gupta  
The Statesman, Calcutta

India's exports are still rising at a much slower rate than world exports. Yet a substantial increase in export earnings during the last two years is one of the reassuring features of the economy. The increase is not necessarily reflecting the best possible development of export industries. It has at least generated confidence in their future and focused attention on their relative potential.

Relevant rupee rates could be misleading if different methods of compilation and exchange rates are used. However, according to the Directorate General of Commercial Intelligence and Statistics, Indian exports were worth more than 90m (more than 90m) in 1972-73, an increase of about 22 per cent over the preceding year. Annual compound growth during the three years of the plan, ending in 1971, is only about 5.8 per cent. The 1972-73 exports in those to Bangladesh, were not exactly within the category of normal goods. But even if these are added, the increase in exports works out to more than 5 per cent, the highest annual growth since the end of the Second World War.

Tempo was maintained in 1973-74, the rupee for the first nine months showing a rise of 10 per cent. The final figure for the year is not yet known, but it is expected to be about 10m; and the annual increase may well exceed 10m by 1980. Increase in the past two years has been largely in higher unit values (in terms of several export items). Apart from the commodity boom, competitiveness of India's traditional exports has improved with the devaluation of the rupee and inflation prices at home, but if some of the principal trading partners are not prepared to follow suit, the distinction between traditional and additional exports is always significant. Jute and tea are certainly traditional exports. In spite of increased demand, jute rising import bill. A long-term programme must be

well as they should have during the past two years; and earnings from tea have hardly increased. Yet jute goods and tea are still at the head of India's export table, accounting for nearly a fifth of the total earnings.

Coffee, tobacco, spices, cashew nuts and oilseeds, which are also traditional, account for about one eighth of the total. This hardly bears out the claim that Indian exports are now largely non-traditional.

Even cotton textiles and leather and leather manufactures are not exactly non-traditional. Cotton textiles certainly are not, even though the export of piece goods is a fairly new feature. Although leather and leather manufactures are usually regarded as non-traditional, their export merely follows the traditional export of hides and skins. The emphasis on processing and manufacture is more a technological development than a new beginning.

Perhaps the most successful among non-traditional items have been handicrafts and marine products, which between them now earn something like Rs2,200m in foreign exchange. Engineering goods, with an export figure of more than Rs1,400m, are potentially more important; but their performance so far has been far below the potential. Other non-traditional items include iron ore, iron and steel, chemical and allied products, footwear and handloom products.

Certain commodities have lately shown an impressive export potential. For example, Basmati rice, a fine and fragrant variety, has a ready and large market in the Gulf States which, it is estimated, could take as much as 50,000 tonnes. Export of this expensive rice would be no great deprivation for the home market.

Similarly, the exportable surplus of coffee could be profitably increased. Sugar exports, too, could be increased by restricting domestic consumption. There would be shortages and high prices at home, but if some of the 400,000 tonnes and higher demand from countries like Poland, Japan and Russia. Another factor has been fishmeal and soyabean meal shortages in Western Europe. But the trend is unlikely to be maintained; indeed export



Jute is laid out in the sun before it is gathered into bundles and sent to the factories.

based on further development of both traditional and non-traditional export industries. The programme will have to take more of recent performance. The most significant gains during the past two years have been recorded by oilseeds and vegetable oils, handicrafts, leather and leather manufactures, cotton textiles, engineering goods, fish and fish preparations.

The rapid increase in the export of oilseeds has been due to generally poor supply in international markets and higher demand from countries like Poland, Japan and Russia. Another factor has been fishmeal and soyabean meal shortages in Western Europe. But the trend is unlikely to be maintained; indeed export

earnings from oilseeds may be considerably reduced within a few years.

Export of handicrafts, however, has still a considerable potential for growth. Handicrafts industries, which are dispersed all over India (accounting for a large and pleasing variety of products), have greatly developed in recent years. Their main products are to organize large numbers of craftsmen and keep pace with changing tastes abroad.

Leather and leather manufactures and cotton textiles should also continue to do well. Leather industries, too, are located in many parts of India, especially Uttar Pradesh, Orissa and Tamil Nadu. These industries, however, have

been facing some difficulty with raw material supplies; and restrictions have had to be imposed on the export of semi-processed hides and skins.

The cotton mills have been affected by power shortages; however, the power situation in western India, which is now the industry's most important base, is not as bad as in some other parts of the country. Anyway, the industry has greatly profited from a comfortable supply of raw cotton at a time when a decline in cotton production and a sharp rise in cotton prices has pushed up textile production costs elsewhere.

International demand for Indian cotton textiles has been remarkably buoyant; and the industry has been able to meet it in both quantity and quality. Piece-goods now account for 55 per cent of the total value of all mill-made cotton cloth exports.

The power crisis has had a far more serious effect on the engineering industry, especially because many of the units are located in West Bengal where power shortage has been acute and prolonged. The units in western India have done better. The industry, however, has been additionally handicapped by a shortage of steel and other raw materials. If these constraints can be removed, there should be no difficulty in more than doubling the export of engineering goods within the next five years.

A substantial increase in iron and steel exports is also envisaged, but their contribution would still be small. A much larger source of foreign exchange is iron ore, whose export is expected to increase a great deal more.

One of the most encouraging additions to Indian exports has been fish and fish products. Both coastal and deep-sea fishing have expanded, and processing units have grown along the Malabar and Coromandel coasts and on the Orissa coastal belt. Here, at least, is a success story in a truly non-traditional field.

Generally, however, export industries with the greatest growth potential are severely handicapped by

shortages of power and raw materials. They cannot grow without the help of support industries. Supply of semi-processed hides and skins is also on the condition of the primary producer. Transport bottlenecks are another inhibiting factor. It would be difficult to predict the future of the export industries without taking this complex interdependence into account.

Nor is it altogether realistic to build too much on export promotion by restricting domestic consumption. Conceivably certain goods could be produced exclusively for export, but this depends on the volume of export demand and the export prices making the enterprise economically viable. If these goods also enjoy a substantial domestic demand, their total reservation for export would require a measure of discipline that might not be easy to enforce in a mixed economy.

In practice, what is more likely is allocation of a larger proportion of export promotion to short-ages and higher prices in the domestic market. Without genuinely exportable surpluses, export promotion measures could, therefore, aggravate domestic inflation in certain areas.

However, this is a fairly small hazard, since the goods with the largest export potential are among those in general demand in the domestic market. The central issue is the basic inflationary situation pushing up production costs in every sector of the economy. Unless this is checked and the costs are lowered, no export promotion drive can have a lasting effect. Rather than special export production, the answer is a general increase in production at less cost.

This simple answer merely raises a host of questions regarding the state and direction of the Indian economy. These questions are not academic in a discussion on the future of export industries. Any export strategy formulated without examining them in full cannot but be short-sighted. And it may be salutary to recall that Indian exports still account for only 0.6 per cent of the world's total.

## State agencies' important role

As part of the Indian Government's efforts to encourage a mixed economy, two important trading agencies, the State Trading Corporation and the Minerals and Metals Trading Corporation have been established. Together they account for over a third of Indian export activity, with an export turnover of more than £300m.

The State Trading Corporation was set up in 1956, mainly to organize India's trade with members of the Soviet bloc. But it has subsequently expanded its range of operations, and trades extensively with Europe, the United States and Japan. However, it has preserved its character as a publicly owned and socially-motivated company, with the Government continuing to be the only shareholder. Each year it pays a dividend to the Government on its profits, which at Rs147m (about £8m) are considerable.

The Minerals and Metals Trading Corporation has a turnover about twice as big, but it concentrates on the export of iron ore, and therefore is less noticed in the nation's business and commercial life. It also is harnessed to the Government's objectives, and should contribute to the smooth operation of the recent agreement between Iran and India on economic cooperation. India has to export pelletized iron in exchange for some of Iran's oil.

In recent years STC exports have been growing more rapidly than Indian exports as a whole. The corporation, which was originally envisaged as an agency for handling imports, now conducts more export than import business. This has arisen because of a 50 per cent leap in exports between 1972 and 1973, while imports registered a rise of only 23 per cent.

The growth of the corporation's share of the export market has been promoted by the government policy of "canalization", by which certain items are earmarked for Government of India undertakings and private sector concerns are not permitted to trade in them. This does not mean that the

state undertakings do not have to justify themselves in profit or loss terms, or that they are given preferential treatment over private companies. For example, in the regular auctions for coffee and tea the corporation has to compete on equal terms with private export companies.

It also does not abuse its formidable market power to obtain an advantage over other concerns. Its ability to do so is not in doubt, as it can arrange credit more easily than private companies, because as a government-backed organization, few risks are involved.

The policy of canalization is under review. The Kaul committee set up to examine the working of the policy expected to publish its report this month. It has been suggested in the press that some liberalization of procedures may be recommended.

### Quality standards important

Social objectives will continue to receive priority. It is clear that a full liberalization of trade will not take place, and that the right to export canalized items will be accorded to recognized export houses only. In this way it should be possible to ensure that quality is maintained and that India's reputation in world markets will not be endangered. The maintenance of quality standards is, indeed, one of the major objectives of the canalization policy. But it is not the only one.

The State Trading Corporation has several advantages over a diffuse pattern of small private exporting companies. The first is that by buying and selling in bulk it should be able to obtain better prices. This has become particularly valuable in the past two years in view of the steep rise in world commodity prices and the increasing scarcity of a number of vital products. The corporation has been an important agent in trying to overcome the newspaper shortage, for example.

The second is that, because of the size of its business, India's export trade, the corporation finds it

comparatively easy to obtain warehousing facilities and freight. This also has become important recently, with the 1973 world trade boom making it increasingly difficult to find freight space.

Finally, because of its considerable financial resources, the corporation has less hesitation about pioneering the export of new products. In the early years of development this often involves losses, as it takes time for contacts to be established. An example is the export of mangoes to Britain, which is beginning to pay its way.

The other principal function of the State Trading Corporation is to serve as an instrument of government policy. This is done on a fairly regular basis, in connexion with such things as the planning of the corporation's foreign exchange requirements. The Ministry of Finance is informed, for example, of the corporation's year in advance of the date at which it will be required to consider simplifying the task of forward projection.

The Government's determination to increase exports of finished rather than semi-finished or unprocessed goods is also clearly apparent in its attitude to the corporation. Since the late 1960s the export of tanned leather has been growing swiftly. But it has been felt that a good opportunity of earning more foreign exchange has been missed, as most value is added when the leather is made into finished goods. Last year, therefore, a quota was placed on the export of tanned leather, and it was made a canalized item to be handled by the corporation.

There have recently been suggestions that the export of books will be canalized. Certain fiscal incentives are given but some abuse has been reported. Publishers were importing books and then exporting them for the sole purpose of gaining the financial benefits of the incentives. To curb this practice it has been suggested that the private export of books should be banned, and the entire operation be carried out by the STC. Because of the high value of books, it seems likely that the corporation will become increasingly important in India's export trade.

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## Burdens on tea make fight with competitors harder

by Amalendu Das Gupta

The notion that Indian tea exports have been doing badly in recent years is only partly true. It would be more accurate to say that the volume of exports and export earnings has remained largely static. Except for a fall in 1969, due to drought and a strike, production has steadily increased during the past 10 years, and now stands at more than 450,000 tonnes a year. It has approximately doubled in the past 30 years.

But since the early 1950s exports have remained about 200,000 tonnes; in 1969-70 they dropped to 172,000 tonnes. Exports from Ceylon and Indonesia have also failed to show any marked increase in recent years. But exports from East Africa rose from less than 53,000 tonnes in 1963 to more than 113,000 tonnes in 1972.

Earnings from India's tea exports have also been stagnant. As well as poor earnings in 1969-70, there was also a fall in 1973-74 when India exported tea worth Rs1,470m (over £77m) against Rs1,560m in 1971-72. There was stronger competition from East Africa; and in spite of the commodity boom the unit value in 1973-74 was about the same as in 1971-72 and lower than in the two preceding years. The situation improved a little in 1973-74 in terms of both unit value and the volume of export.

### Effect of external factors

This shows that the problems of the Indian tea industry are not entirely, or even mainly, internal. Like other enterprises, tea is affected by shortages of essential supplies, such as fertilizer, furnace oil, coal and cement. Many units are also plagued by mismanagement and shortage of capital for replantation, replacement of plant and modernization of equipment and methods.

There are nearly 12,000 tea gardens in India, of which about 2,000 to 3,000

are fairly large plantations. Many of the small units have become uneconomic and several have been closed. The Government recently announced a decision to introduce legislation to take over the "sick" and closed gardens.

But this is not a problem of much consequence to the export outlook. More serious is an increase in production costs; and a still bigger problem, in the industry's view, is a steady rise in excise duty. The duty on tea is estimated to have been increased by more than 400 per cent between 1958 and 1970. Despite inflationary pressures, ex-factory costs in India are still lower than in Kenya. But with its burden of duties, it is difficult for Indian tea to compete with the East African varieties in the export markets.

The fiscal policy has been largely guided by the traditional notion that Indian tea is the best in the world and has nothing to fear from competition. There is certainly nothing to bear the best of Indian tea, but this best is no more than 10 per cent of the total production and is made up of pickings from what is known as the "second flush" in Darjeeling and Assam. There may be as many as 10 or 12 flushes at both places, and tea is also grown elsewhere in the country.

Assam produces about 50 per cent of Indian tea, North Bengal (with its famous Darjeeling variety) 23 per cent, South India (Tamil Nadu, Kerala and Mysore) 25 per cent, and other scattered centres 2 per cent. The main export varieties are Assam, Darjeeling and Nilgiris (South India).

While South Indian gardens produce crops throughout the year, the bushes in Assam and Darjeeling are dormant for a few months. In Assam, for example, 75 per cent of the crop is harvested from September to November, the worst period for quality. The best period, for about two weeks, is in June; in Darjeeling the best period is April-May. This explains the uneven quality of Indian tea and

the small proportion of the best quality.

The fiscal policy seems to have taken insufficient note of this pattern, or of the fact that the average Indian tea is not necessarily better than that of other countries. East African countries have expanded and improved production and have exported at highly competitive prices. But, unless there is a steady increase in demand, East Africa too will be obliged to review its pricing policy. Indeed some rethinking has already taken place.

### Talks on quota arrangements

It would be unrealistic to expect export prices to rise substantially as a result of higher demand. But there is at least an assured demand, most of which is met by India, Ceylon, Kenya and Indonesia. These countries could, therefore, take joint action to restrict supplies and step up export prices to the highest level that the international market would bear.

Discussions on these lines have already been held, and a beginning has been made with informal agreement on export quotas and other matters. Further consultations are taking place to give shape to something like a tea consortium, possibly with the participation of Bangladesh and Malawi. In this connection there is some resentment in Indian tea circles about the London tea auction. London still exerts considerable influence as a price-setter in the international tea trade; and it is felt that this influence has been responsible for depressing tea prices in other markets as well.

Some Indian tea industry sources maintain that buyers in other countries would have agreed to pay more if supplies from London had not been available. There is a strong body of opinion in favour of discontinuing Indian tea supply to the London auction, provided other exporting countries can also be persuaded to adopt a similar policy.



Tea pickers are headstrong girls in Assam, where the estates are responsible for about half the Indian production.

## Hand-made goods, cheap or costly, earn healthy profits for the retailer abroad

by a Special Correspondent

One thing that you must remember is that the handicrafts trade in India is run entirely by the private sector—that is why it is so successful. That comment from an Indian businessman certainly reflects surprising export growth in handicrafts, carried out through cottage industries in an 80 per cent rural society.

Growth is impressive—in 1956 first exports were valued at Rs70m (£3.9m) and nearly 20 years later at Rs1,600m (£88.9m). By 1979 the total is expected to be Rs3,000m (£166.6m), while total annual production, at all cost prices, is estimated at Rs4,000m (£222m). Export figures are more

dramatic when it is realized that the producer has not seen similar increases in the amount he is paid for his hand-made goods. An Indian exporter recently returned from a trip to Europe estimated that Indian handicrafts were being sold at some five times the original production cost. A spokesman for the All India Handicrafts Board (AIHB) says the best-selling *kutch* embroidered shirt from Gujarat, with tiny mirrors stitched into the embroidery, costs about Rs15 to produce but the woman making four or five a day probably receives only one rupee per shirt.

He believes that this image of cheap goods is bad. The utilitarian items, as opposed to expensive carpets and shawl work, are not only cheap but hand-made

and well made. "So many Europeans and others are fed up with the hard nylon collar—they want cotton, and from India they are actually getting good hand-made products which their home markets cannot produce", he said.

Also, he believes that brass work is sold too cheaply. India has massive stocks of scrap and produces cheap brass despite the fact that it imports some copper and zinc. Copper has doubled its international price while zinc has gone up 80 per cent. The home scrap is therefore being misused and no long-term price increase factor is being built in. Likewise the producer of handicrafts has not seen the benefit of international price rises as the Indian middleman has exploited him by continuing to pay low prices to safeguard his export margin.

The cheap *kutch* shirt is

the kind of item which makes a good profit for the retailer abroad and reaches a wide market at a cheap price. At the other end of the scale are the luxury items, well beyond the means of most Indians, yet still showing a small profit margin for the producer. One is the Kashmir or Srinagar shawl, made from Pashmina wool—the soft hairs under the chin and neck of the Angora goat. Wool for one shawl will cost the embroiderer about Rs800, his own work for 30 days will bring him about Rs300 and the finished item will sell in India for between Rs1,500 and Rs2,000. These shawls, together with carpets (and 95 per cent of production is still hand-made and considered much cheaper than Afghan, Pakistan and Iranian equivalents), have to be aimed at the small luxury sector of the foreign market.

The United States leads on

total value of handicraft imports, followed by Belgium and Luxembourg (although the bulk of this trade is in the cutting, polishing and setting of precious stones imported from these two countries to India). Hong Kong comes next, then West Germany, Japan, the United Kingdom and then The Netherlands.

Most producers work through their guilds or associations and these form old and well-tried channels for communication with the Government and the AIHB. The board helps to smooth out difficulties at all levels, whether it be electricity or water supply problems in difficult periods or helping with export services. One difficulty facing exporters, according to the board, is freight out of India. Handicrafts are moved out mainly by foreign shipping lines because the Indian

Merchant Navy is not big enough. But few foreign ships call at Indian ports.

Freight is expensive and delays are caused by lack of cargo space and congestion at Indian ports. Some items do not face this problem, particularly the precious stone trade. But this craft and its import-export aspects are very old and well-established and have always run smoothly, mainly because it provides a service industry for Belgium and Luxembourg as well as for Hong Kong and the United States. Gold and silver are imported, but there are ample stocks in India.

A noticeable trend in recent years is that the export of raw handicraft materials is gradually diminishing, enabling more people in India to benefit from the various processes involved. Wool exports are now restricted by quota to

keep the home market satisfied and to ensure the export of finished articles, and the same applies to leather.

One up-and-coming industry on the export side and a fitting companion for gems, lacquered enamels, hand-printed silks, rosewood, carved horn and ivory chess sets, is the perfume industry. This year the Perfumes and Flavours Association of India celebrates its twenty-fifth anniversary and is making a determined publicity effort to get the Government to relax import controls on synthetic chemicals that are bedevilling its attempts to get through to Europe.

The heavy, lingering natural perfumes of India, such as sandalwood, *khus* and *benna*—more used by the Indian male than his mate—are generally not acceptable to the foreign nose. However, their combination with syn-

thetic chemicals, which, with alcohol form the base of many European perfumes, makes it possible to lighten the product while introducing a whole new range of scents.

But perfume exports are going on apace. In 1972, covering the whole range which might go into perfumes for the boudoir as well as tooth-paste and toilet disinfectant, they totalled Rs43.5m, and went to 100 countries, with the main markets in East Asia, Australia and New Zealand, and the Middle East and North Africa, where they are remarkably successful.

Most houses are in the small-scale sector and face competition from the giant international houses. They are also plagued by alcohol supply problems in a country with both wet and dry states, differing alcohol duties at inter-state borders and a bottling industry, particularly for the toilette per-

fumes, which is not advanced enough in its packaging policies or designs.

Some experts estimate the India could more than double its foreign exchange earnings from the export of perfumes, cosmetics, toiletries and essential oils, if the technology was allowed to develop and there was better organization.

The resources are there—India produces 95 tonnes of sandalwood oil a year and 55 tonnes of that is exported while the sandalwood-based joss sticks, so well known around the world, were produced to the tune of 5,000 tonnes last year.

The perfume manufacturers will be more than happy when they achieve the same success abroad with their age-old products as the craftsman in the village working at his trade for a customer he will never see and countries he will almost certainly never visit.



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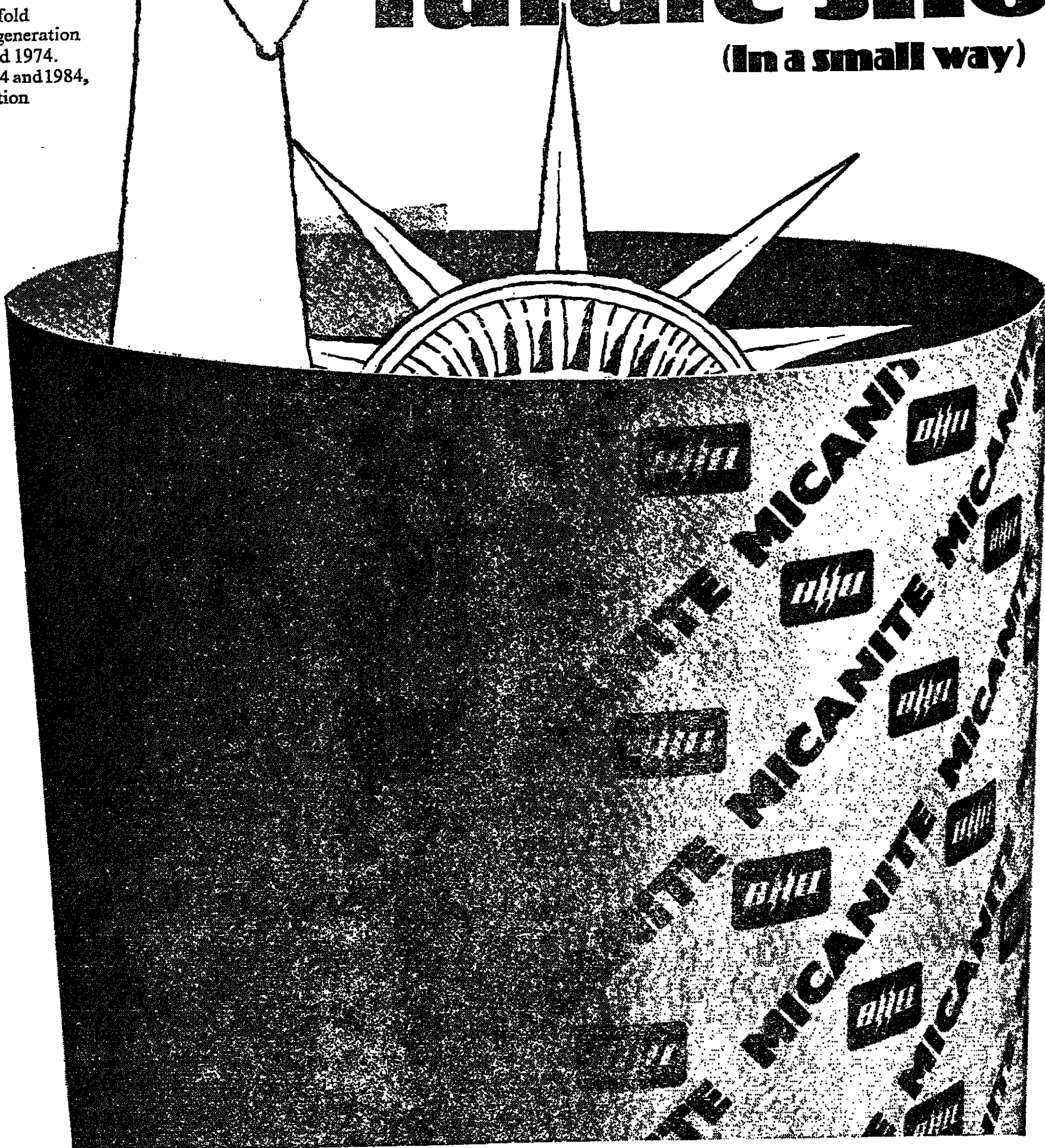
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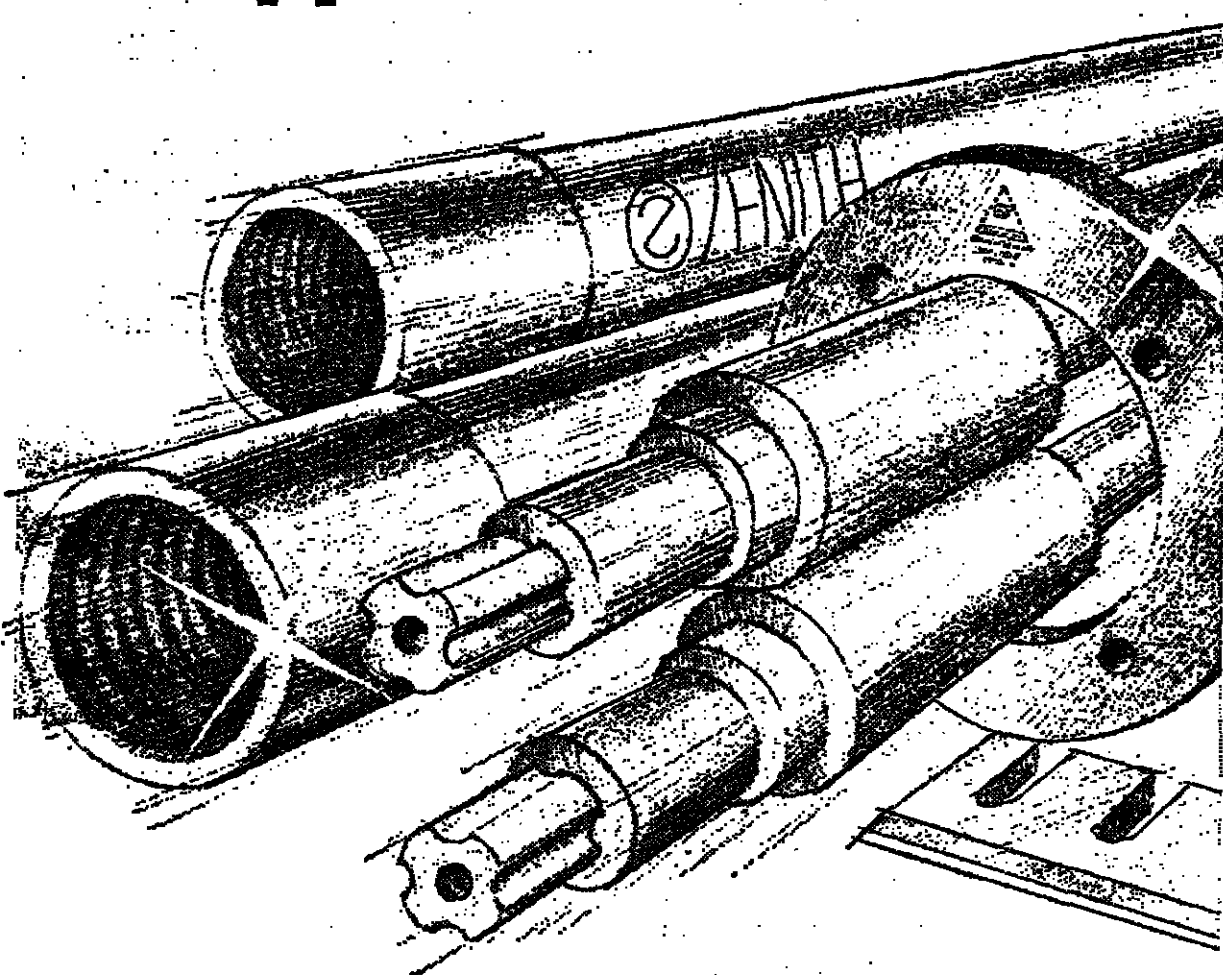
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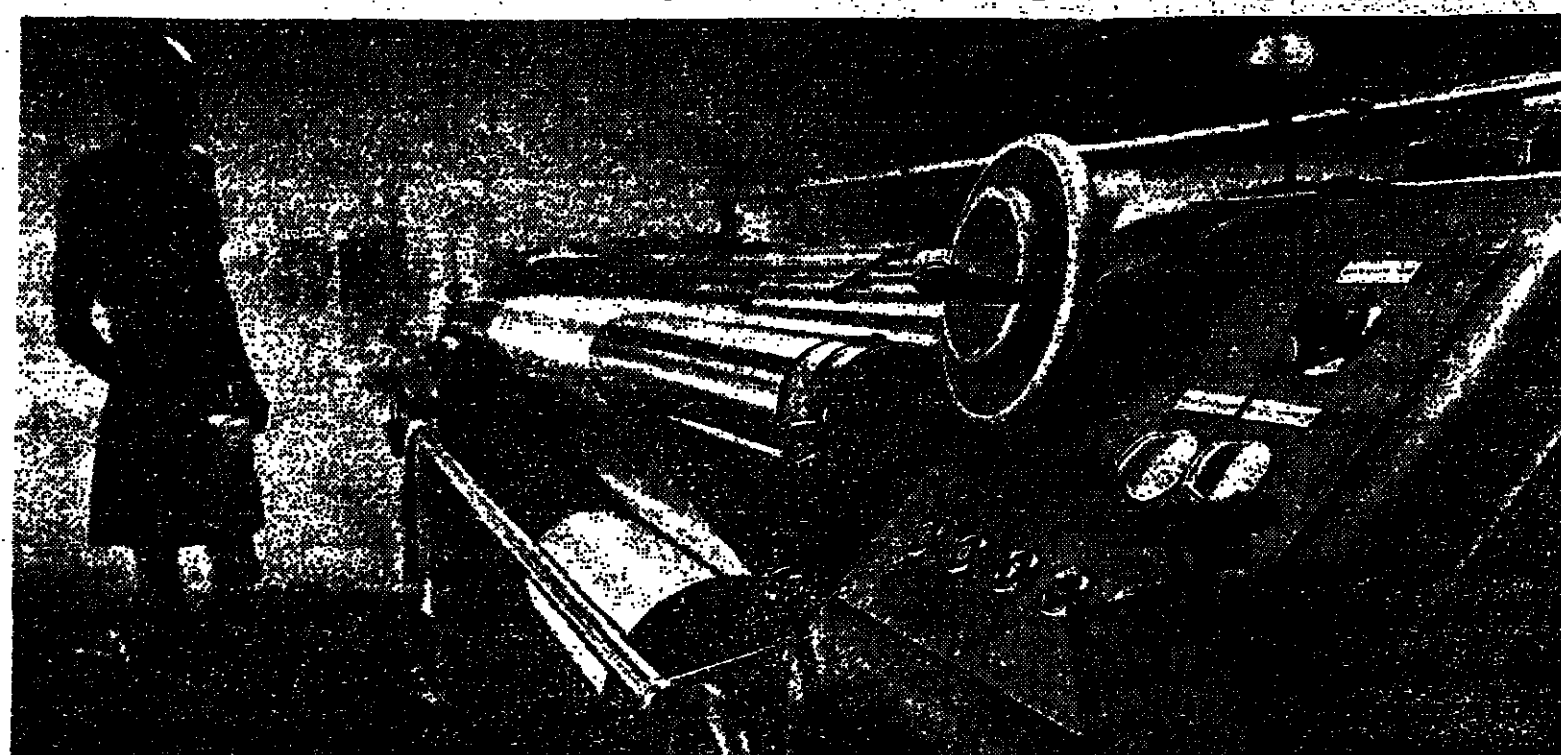
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The growth of emerging countries is a spur to find new markets for some of the more traditional exporting industries which may be threatened in some areas by tariff and quota agreements



A Bombay textile mill manufacturing synthetic materials, a product which has great export potential.

## Cotton textiles are beating all the targets

by Tim Congdon

Exports of cotton textiles have been one of the most rapidly expanding categories in India's foreign trade in recent years. In 1966 they amounted to Rs 5500 million but in 1973 they had grown to Rs 1,950 million (£105m), a rise in seven years of 158 per cent. This compares with a growth in exports as a whole over the corresponding period of 94 per cent.

There are no signs that this pace cannot be continued in the medium term, with the early months of 1974 seeing a further spectacular increase. Indeed, the performance of cotton textile exports is exceeding the expectations of the government planners by a handsome margin. Under the fifth plan exports of cotton textiles were to reach Rs 2,225 million by 1978. But in the first three months of 1974 they were Rs 720m, equivalent at annual rate to Rs 2,900m. In other words, the plan targets had been exceeded in the first three months of its operation.

Although the export of textiles made from artificial fibres is at an early stage, the sector also shows great promise. Exports of rayon and other synthetic material piece-goods were Rs 320m in 1973, an increase of 200 per cent on 1972. The largest customer was Poland, under a trade agreement between the two countries, but several of India's neighbours, notably Afghanistan, Bangladesh and Iran, were also significant buyers.

The cotton textile industry is concentrated in Bombay. Unlike most of India's industry it relies predominantly on local capital, with no dependence on foreign funds or financial backing. There are two main kinds of production unit making cloth—those in the mill sector and those in the

decentralized sector, which has smaller output a unit. Both kinds of production units are almost entirely in private hands. The Government has taken the view that, since textiles are one of India's oldest industries, there is no need for special encouragement and support, although the textile industry, of course, plays a central role in the present export drive. In recent years production of cotton cloth from the decentralized sector has been growing somewhat more quickly than production of cloth from the mill sector.

The growth of the industry has been promoted in recent years by a number of factors. The first is the size of the Indian market itself. With more than 500 million people in the domestic market, millowners and cotton piece-goods manufacturers have had few uncertainties about demand. Indeed a much higher proportion of the industry's output is devoted to home than to foreign demand and this will probably continue for the foreseeable future.

The second is the availability in India of cotton, although, with the high prices obtainable for raw cotton on world markets since 1972, there are signs of scarcity. With the completion of several plants during the fourth plan period, India is now also a producer of artificial fibre yarn. In line with the government policy of stimulating the export of finished goods, exports of this yarn have been virtually stagnant since 1966.

Finally, the successive devaluations of the rupee since 1966 have been a great help in foreign markets. Until 1966, textile exports were virtually stagnant. More fundamental factors are rising labour costs and discrimination against Indian goods in European



A Muslim weaver at work in the holy city of Benares. Benares silk are world famous.

markets. Of course, although Indian labour is cheap by international standards, the sharp rise in prices last year was accompanied by a sharp rise in wages. This may erode some of the competitive edge conferred by devaluation.

The reluctance of the EEC to liberalize its imports of textiles from Asian countries has a directly adverse effect on the Indian export drive. Although it can be avoided in a variety of ways—for example, unfinished piece-goods can be exported to a country like

Switzerland and adjusted—the quota restriction is a serious hindrance. This is particularly true in the case of a country like India which has far behind Hongkong and the rest of the world a low proportion of the quota allocation.

However, new markets are emerging in the developing world and the hope must be that they, with continued expansion exports to the long-standing markets in Britain and America, will help the Indian textile industry to become even more important than already is.

## Oil crisis gives jute economy a new impetus

by Amalendu Das Gupta

Jute manufactures have been, and remain, India's largest source of foreign exchange. Their export market began shrinking with a gradual contraction of jute products for packaging, and the trade was particularly noticeable in the late 1960s.

But they have gained a new lease of life with the oil crisis, which has pushed up the prices of synthetic substitutes. The competitive advantage may not be permanent, but the outlook is promising for the time being.

With nearly 43,000 looms in 74 operating units, India produces 30 per cent of the world's jute goods and has a 45 per cent share of total exports. The industry employs about 250,000 workers, almost 9 per cent of India's organized industrial labour. Over 25 million people in rural India are involved directly in jute cultivation, and another two million are associated indirectly through marketing and ancillary activities. As many

as 62 of the 74 operating units are in West Bengal, which also produces more than half of the country's jute crop.

The search for jute substitutes had been going on for a long time, but its effect on the Indian jute industry was felt seriously only in the late 1960s. The changeover from jute was induced both by technical and economic considerations and by an inherent instability of the jute economy.

In the developed countries there was inevitably preference for a capital-intensive bulk system of handling, dispensing with the use of any kind of bag. For the jute commodity, the paper bag was more attractive. But by far the most powerful competition came from synthetics, after the rapid development of the petrochemical industry. The instability of the jute economy—largely the result of distortions in prices and supplies caused by periodic shortages of raw jute—has always worked against the

maximum possible expansion of jute usage.

In 1964-65 India exported 922,000 tonnes of jute goods, but exports then declined sharply. There was a revival in 1971-72, largely because of the disruption of supplies from Bangladesh.

From 1970-71, India's export earnings from jute manufactures went up to Rs 2,650m in 1971-72. There was a slight fall in 1972-73, mainly because of a resumption of exports from Bangladesh and increasing price competition from synthetics.

This unfavourable trend continued during the first half of 1973-74, when the industry faced additional difficulties from a small 1972 crop and a severe shortage of power. The outlook, however, is bright. Towards the end of October, 1973, there had been a large crop in both India and Bangladesh, but production in Bangladesh mills had been falling. Indian exports had

received a boost from sizeable fiscal relief, and world oil prices had started soaring. There was also a temporary improvement in power supplies.

As a result, during the last three months of 1973 India was able to export an average of 58,000 tonnes of jute goods a month against an average of 45,000 tonnes for the previous nine months. But there has been another setback since the beginning of this year. A 33-day strike in January and February caused a production loss of about 100,000 tonnes; and in March alone about 20,000 tonnes were lost as a result of power cuts. The power situation was worse in April, and has improved only marginally since.

The opportunity that the oil crisis has presented to the jute industry can be used only with an assured supply of power. But how large is this opportunity? The industry itself is among the least affected by the oil crisis, and obviously stands

to gain from the high prices of oil-based synthetics. Yet petrochemical products are still cheaper than goods in Britain and America and demand higher crude prices, the scope for cost reduction is successive stages.

The jute industry, therefore, anxious to that its products do not suffer from higher material prices and duties. It is sad that export duty on sac should have been reimposed, and that on hessian carpet backing increased a time when exports are increased considerably reasonable prices.

It is also felt that both India and Bangladesh are committed to price stabilization for the primary dunder, the two countries should at least stabilize jute production by reserving an optimum area for research and development, apart from devising joint export strategy, especially in regard to prices.

## Engineering: need to remove bottlenecks

by Sivasdas Banerjee

The foundation of India's engineering industry was laid during the Second World War. From a small base of about Rs 420m in 1967-68, the export of engineering goods has gone up to Rs 1,500m in 1973-74. This is now planned to reach Rs 4,350m by 1978-79.

In 1972-73 the major share of exports went to Asian countries. The main items consisted of steel pipes, cutting tools, wire products, transport equipment (including railway wagons), electrical apparatus and appliances, non-electrical machinery such as diesel engines and pumps, and agricultural machinery.

This suggests that in the developing countries of Asia and Africa, Indian engineering goods, especially those in the category of interme-

diate technology, may continue to have an edge over their competitors for some time. Every endeavour needs to be made to take advantage of this situation, not only to boost India's export earnings but also in the interest of the domestic labour-intensive economy.

However, much greater thrust, specialization and internal collaboration will be needed to make a real impact on the international market. Certain changes in orientation may also be needed. For example, instead of concentrating only on engineering goods, greater thought may have to be given to the question of taking up jobs abroad on a turnkey basis or joint ventures, which have already been approved by the Government. Consultancy, in which India has been able to make

a mark in some areas, may not bring sizable returns in terms of foreign exchange, but would have a significant impact in securing major contracts.

The targets fixed are not considered unattainable by the industry, provided that vigorous efforts are made to remove the bottlenecks, of which there are many at various levels. The time cycle for steel procurement, for example, remains long and uncertain and constitutes the most important delaying factor, often resulting in penalties for non-fulfilment of work in time. Only a third of the steel requirement is now met from indigenous sources.

Second, power shortages have hit production hard in states like West Bengal, Punjab, Haryana and Uttar Pradesh, and it is necessary

to ensure that power supply priorities granted to the export sector are properly observed.

There are other infrastructural problems as well. A centralized data bank on which exporters could draw freely would help them to execute deals at various stages of maturity. There is also a need for streamlining procedures for processing all cases for export by creating a central authority, representing all the agencies concerned, such as the Reserve Bank of India and the Industrial Development Bank. It would help in dealing with relevant financial and other issues.

Most of these facilities now exist in one form or another. But without centralization and coordination of the different dispensing agencies, exporters sometimes have to go to exasperating lengths to get every-

thing cleared. Instances where the resulting delay have cost the country important export contracts are not rare.

Fulfillment of the export target would also require steady rate of growth of industrial capacity. An increase in production to meet the short-term demand in the domestic market, to create surpluses for export, and to give competitive strength to the export units. Otherwise, the industry might find itself lacking in adequate capacity and competitive advantage in a widening international market.

A heavy internal demand somewhat restrictive policies of growth and services, and shortages of raw materials could result in production of inferior quality with little incentive for export (see engineering technology article, page XIII).



## Making the most of leather

In the past three years leather has been India's most rapidly expanding export. In 1970 exports of leather amounted to Rs700m (approximately £37.5m); in 1971 they amounted to no less than Rs1,600m. In other words, they had more than doubled in a period shorter than a five-year plan.

But even 1970's total was considerably up on a typical year in the early 1960s. In 1962, for example, it was Rs532m and in 1963 it was Rs527m. From being India's second largest export a decade ago, leather is now near the top of the list.

Leather export is centred in Madras, where many tanneries are situated. The leather is also exported from Calcutta and Bombay, but in much smaller quantities. This is less remarkable than it seems, with which exports have risen enormously in the last few years. Goods exported, skins and hides are most important. These are sent abroad for further processing into finished products.

### Initial stages of processing

Completely unprocessed skins and skins are now exported on a much smaller scale than formerly. In 1966 exports amounted to 60m. In 1967 they fell to 4m and now they stand at 10m.

The decrease in unprocessed leather exports reflects the fact that many businesses are now more profitable carrying out the initial stages of processing in India than export a completely unprocessed commodity.

One advantage of doing this was that the weight of leather was reduced, bringing down the cost of transport. However, low labour costs in India combined with the skill of Indian workmen, also make it worth while to process leather in the subcontinent rather than in other countries.

The same motives have been responsible for the expansion of leather processing industries. The footwear industry has become increasingly important as an export item, with companies such as Bata actively involved. Nevertheless, the Indian Government feels that this development has not gone far enough. Its main aim is

the field of leather exports, as in other areas of export performance, has been to increase unit value realization. This should bring about the maximum return of foreign exchange so vital to India's industrialization.

To this end it has placed a quota on the export of semi-tanned leather, wet-blue chrome hides and skins and crust leather. This will operate by means of quotas on individual firms that have so far been active in this area, accompanied by a reluctance to grant licences to companies intending to start up in leather exporting.

Furthermore, the export of these items will be canalized through the State Trading Corporation. This will prevent profiteering and enable the Government to give a guarantee of quality to overseas customers. This is particularly important because it affects the image of Indian business—and therefore the long-term prospects for Indian exports—in the eyes of the world.

This concern for quality is also reflected in officially-encouraged schemes for quality control. For example, the export of goat hair and myrobalan, an important tanning material, is under the compulsory Agmark grading scheme. Other considerations impinge, notably India's wish to conserve its wildlife. Polio-nous snake skins cannot be sent abroad, while the export of lizard skins is under a quota.

### The predominant buyer

Much the largest market for Indian leather is Europe. The EEC countries accounted for more than half of leather exports and the EFTA countries accounted for a further quarter in 1972-73. With Britain's accession to the EEC, the Community is now the predominant buyer. Japan and the United States make much smaller purchases.

The success of the Indian Government's efforts to switch exporters from unprocessed leather to processed leather goods is at present uncertain. However, if it achieves the same measure of success as the private export trade achieved in the late 1960s and early 1970s, we can expect to see many more leather purses and exports from India in the shops shortly.

T.C.

## Smugglers share the takings in film distribution abroad

Although films are not among India's main exports, as they are made primarily for the vast domestic market, earnings from exports are now about Rs50m a year. About an equal amount is said to be lost as a result of smuggling.

Yet it needs to be noted that the value of film exports has increased by 40 per cent in the past six years, and there is scope for a considerable further increase within a short period.

Sections of the film industry and the Government attach much importance to the export effort. The foreign exchange is useful in paying for imports of raw film and equipment and for trips abroad by people in the film business, whether for ostensibly professional purposes, such as special location shooting, or for pleasure. Official restrictions on the release of foreign exchange possibly encourage smuggling and clandestine sales.

### Enhances cultural prestige

The Government knows that more is earned from the sale of Indian films abroad than the country receives in foreign exchange. Hence an increasing official effort to regulate foreign sales and increase exports through regular channels. Apparently it is also felt that the exporting of films of high quality enhances India's cultural prestige. Even popular Indian films shown abroad may have some publicity value, not entirely without a bearing on economic and other relations.

India has been exporting films for nearly 30 years, mostly for Indians abroad. In recent years, however, some truly foreign demand has also arisen. Commercially, the most important comes from the apparent popularity of some products of Bombay and Madras in parts of the Middle East, Africa and South-east Asia; these are Hindi films, but are sometimes dubbed abroad in other languages. Artistically the most significant development is the growing, but still limited, appreciation in the West of films such as those made in Calcutta by Satyajit Ray.

Between the audio-visual extravagance of the Hindi productions with their fairly big budgets and the quiet compulsion of a Ray work there are several categories of Indian films, but none with much export value.

Some experimental or "new wave" films may interest art cinema circuits in Europe and America but can never be a major export enterprise. Even films like those of Mr Ray have not yet made any impact on the commercial circuits.

Films which are neither outstanding as art nor as pure sensationalism may in some cases be fairly sensible in ideas and moderately competent in treatment, but would still fail to satisfy a discerning foreign audience. If they are exported at all, it can be only for their sentimental value for Indians abroad with the same linguistic background.

The main export opportunities lie still in silly Hindi films, with a fare of tawdry opulence, several songs and dance interludes, some obvious sex, much evil and violence and, above all, a heavy dose of didactic claptrap. The nature or quality of these films cannot be changed; those who talk of improving them, except in the most elementary technical sense, have no idea of what sells—at least in some places.

### Other principal markets

Britain, and especially London, is still the most important export market, because of the large Indian as well as Pakistani and Bangladeshi population there. The other principal markets are the Middle East, Africa, South-east Asia and Russia. There are certain market preferences; not surprisingly, films with much fighting do well in the Middle East. In Britain the preferences are largely similar to those in India, because the audiences are basically of the same composition.

Films are said to be smuggled mainly to London, Beirut, the Gulf states and Afghanistan. From London some films get through to Europe. Efforts to check smuggling have yielded few results so far; at one stage even Interpol's help was sought. It is asserted that some producers and exporters have a highly organized system for clandestine operations.

The Indian Motion Picture Export Corporation, set up more than 10 years ago, has been able to handle no more than 10 per cent of the total export trade. Both exports and imports are now to be handled by a new National Film Corporation. A restrictive import policy has had some effect on exports. Until a few



The upper classes in India tend to watch British and American films; the lower classes usually watch Indian films.

years ago American films dominated imports, but the drive has been launched to find new markets. The arrangement was terminated after India's insistence on some reciprocity. But the principle of reciprocity is being invoked also in regard to the importing of Indian films by countries such as there are good prospects for Indian productions. Together with efforts to revive film exports to these

countries a promotional business in Europe and America, particularly for films with a reputation, has been launched. This is not an impressive figure in the commercial film business, but it is useful for a production costing only about \$60,000. Any loss in the domestic market can now be wiped off by foreign sales.

There is also a vigorous demand from university film societies in America. The films now fetch higher prices, even though they are not shown in the commercial cinema. Two of his small-budget films of unimpressive quality should have guages.

Mr Ray has little interest in the economics of big-budget films, but thinks that or can be done effectively in various foreign languages. He does not think dubbing needs to be done in India. Mr Ray told that he had been sold in no difficulty in finding a

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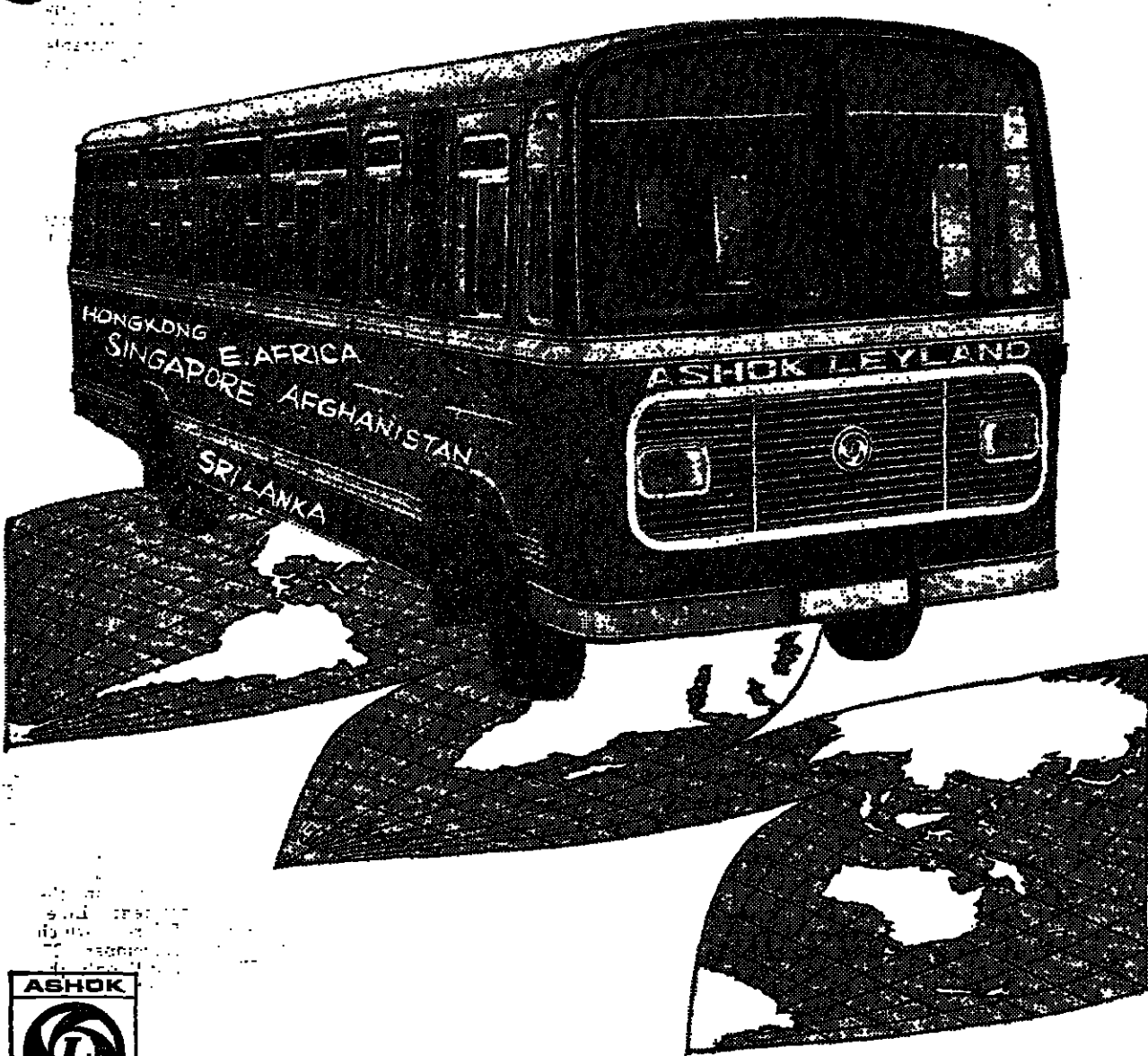
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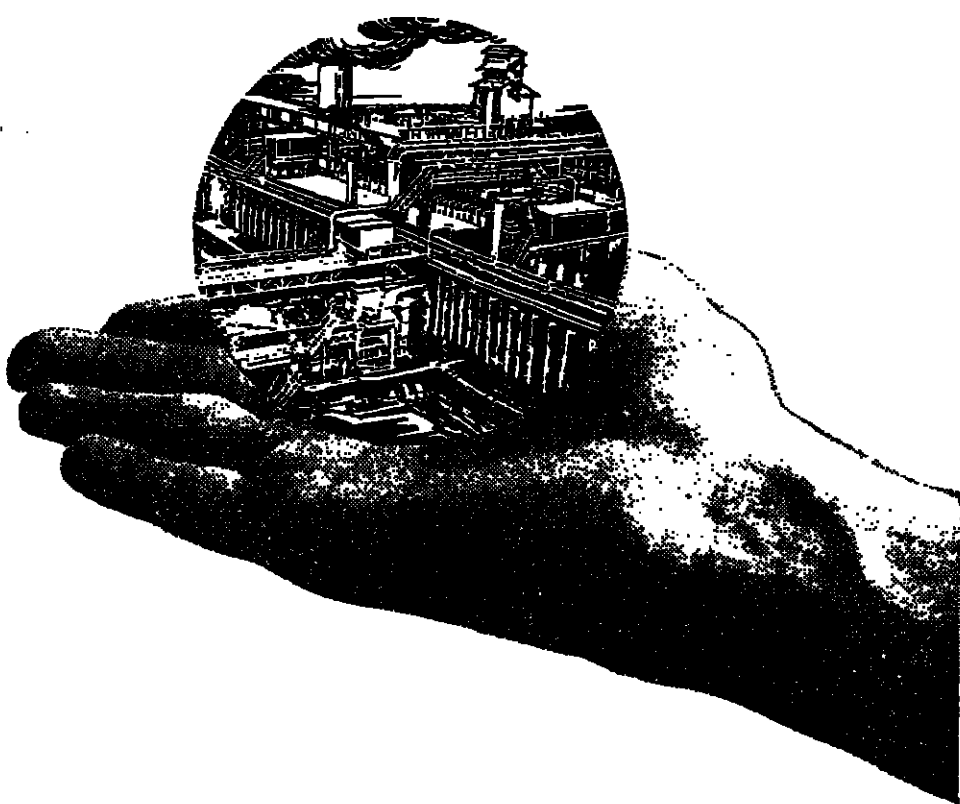
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Actually, what is relevant is the dry cargo handled at the docks. Imports of dry cargo were 3,960,000 tonnes and exports 1,700,000 tonnes. The rest of the cargo of 5,870,000 tonnes in 1972-73 was handled from bunders (open quays) and from Butcher Island, off Bombay, where the Bombay Port Trust has a marine oil terminal.

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The Minister declared: "When these export possibilities of participating in turnkey projects identified by us are collected, we will have a new export strategy to the oil producing countries." This augurs well for Bombay Port.

### More scope for new products

Though India's traditional exports of tea, jute and oilseeds will remain, there is growing scope for manufacturers of engineering goods, electronic equipment, ready-made garments and so on, much of which will be exported through the port of Bombay.

There are several reasons why exporters in Bombay often find it difficult to obtain cargo space. Although it possesses a large natural deep-water harbour, only Indira Docks can accommodate large vessels. The other two, Prince's and Victoria Docks, can handle vessels of only 5,000 tons.

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The situation in Bombay differs from that in Calcutta, India's main port of export, where ships frequently come in empty and are then loaded with jute, tea or coal for export. In Bombay, ships generally bring in cargo and, after unloading, are filled with export cargo.

One berth in Indira Docks is now unofficially reserved for export cargo. The Port Trust proposes to set aside another berth in the other two docks for exports to the Gulf area, since this trade does not require large ships.

One of the main complaints of Indian exporters is the small number of transit sheds in which they can store cargo for export. At present these sheds are taken up with imported goods. Exporters are justified in complaining that goods have to be exported piecemeal because of insufficient storage space resulting in higher costs.

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As the hinterland of the new port is virgin land it can be developed to suit the movement of cargo and container traffic. Despite the vital role it can play, the planning commission has been slow to give the go-ahead. But the Maharashtra Government has been urging Delhi to speed up its decision of the Nhava Sheva project and provide funds to implement it.

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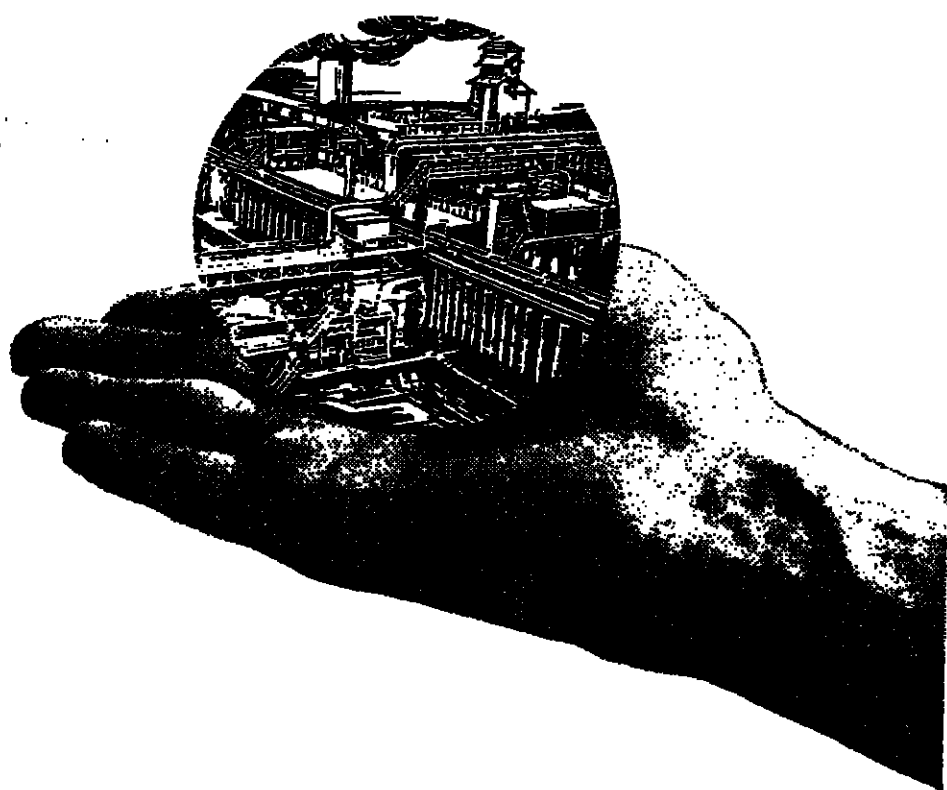


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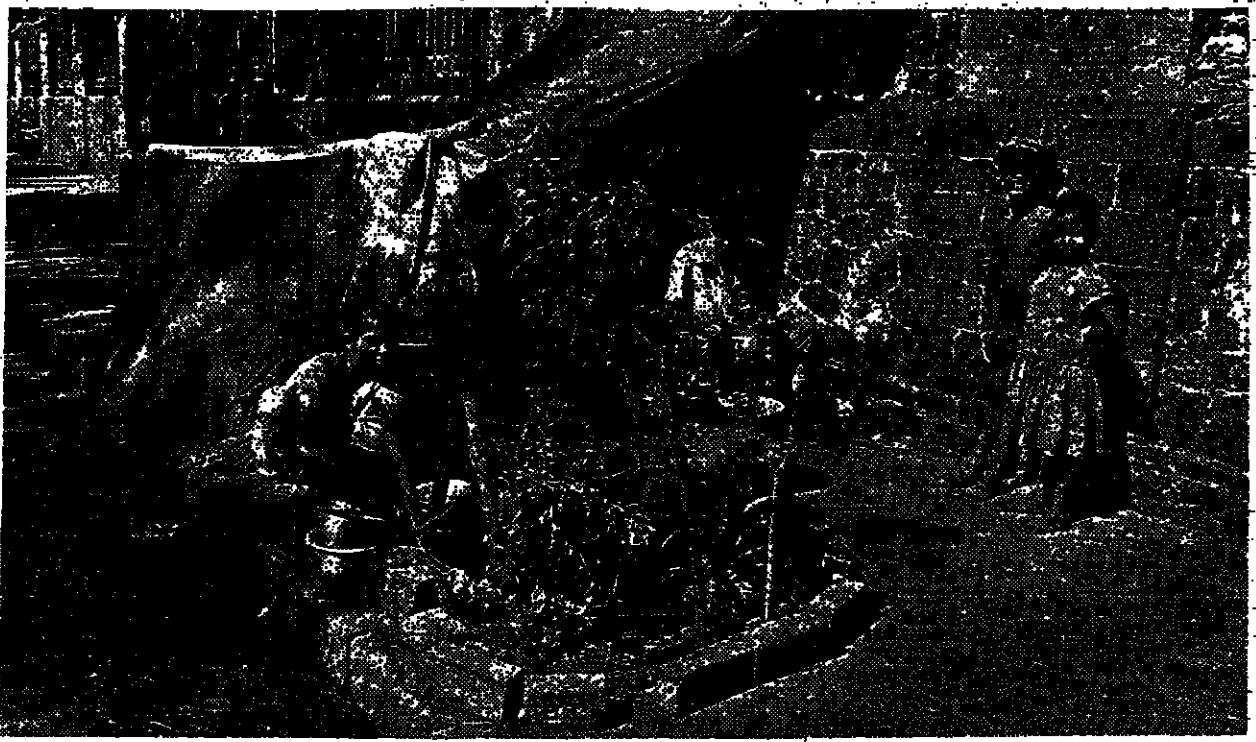
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سازمان ایل و صنعت



## Merchant tonnage to be doubled

by K. Balaraman

In terms of shipping tonnage under its flag, India is a mere beginner compared with the leaders of the maritime world. It still largely depends on foreign ships for handling the bulk of its overseas trade.

In 1969-70, foreign ships carried as much as 78.66 per cent of its total overseas trade of 49,610,000 tonnes. Only the balance of 21.34 per cent was carried by Indian ships and not all of them were Indian-built; most being purchased abroad. In 1973-74, the share of Indian ships came down to 16 per cent, because there were not enough of them available to meet the expanded tonnage of India's foreign trade.

The Indian merchant fleet's present total tonnage is only about four million gross registered tonnes (grt) and this, it is proposed, should be increased to 8,640,000 grt during the fifth five-year plan (1974-79), at a cost of about \$125m. The 8,640,000 grt will comprise 1,370,000 tonnes of tankers, 1,050,000 tonnes of cargo ships, 2,000,000 tonnes of liners, 3,500,000 tonnes of bulk carriers and 600,000 tonnes of coastal vessels.

If this target is achieved, it would provide India with enough ships to be able to carry all her overseas trade in crude oil and petroleum products, half her iron ore exports to Japan, all her iron ore exports to Europe and half the liner trade in other commodities.

Most of the proposed increase in shipping tonnage will have to be met by purchase of ships built abroad, the Indian shipbuilding industry's allotted share being only 475,000 tonnes. India has been opting largely for ships from the East European countries like Poland, Romania, Yugoslavia and East Germany. The Indo-Soviet protocol signed last year also provides for purchases of ships against payment of Indian rupees.

Though India's shipping industry is thus a modest one, her three principal shipyards, the Hindustan Shipyard, the Vishakhapatnam Shipyard (Andhra Pradesh), the Mazagon Dock in Bombay and the Garden Reach Work-shops in Calcutta can boast some of the most complex shipbuilding and ship-repairing facilities east of Suez and it is served by the

Originally all three yards were privately owned (the last two by British companies) and were later taken over by the Indian Government, the Hindustan Shipyard in 1954 (and placed under the Ministry of Shipping) and the other two in 1960 (under the Ministry of Defence).

The Mazagon Dock company is India's leading shipbuilding and repair yard. Primarily a repair yard under its British owners (British India Steam Navigation Company and P & O), its facilities have been vastly increased since its nationalisation. It now builds both warships for the Indian Navy (Leander class frigates and inshore minesweepers) and merchant vessels, besides attending to the increasing repair needs of the navy and foreign and Indian merchantmen.

The company has built two new ship-building berths, an impounded dock capable of accommodating four medium-size ships at a time and new production and assembly shops equipped with complex machinery. A Mazagon-designed and constructed passenger-cargo ship which can carry 894 passengers is being fitted out.

Mazagon Dock maintains a round-the-clock, seven-day-a-week repair service and it is a tribute to its performance that it is kept busy. In the course of one year (1972-73), the shipyard repaired 621 ships, 250 of them foreign flags. In this respect, Mazagon is a big foreign exchange earner. In 1972-73 it earned over \$1m in foreign exchange. It was planning recently for carrying out extensive repairs to two foreign supertankers, the Alvaro de Bazan (166,000 tons) and the Esso Anglia (190,300 tons), which could not enter Bombay harbour and had to be anchored 25 miles away from the shore. Mazagon has plans to build a dry dock and other facilities at Nava Shera near Bombay, where the water is deep enough to take in ships up to 250,000 tons.

A wet basin of 226 metres length and 73.2 metres width is under construction and is scheduled to be completed next year. This basin is intended to serve the dual purpose of providing berthing facilities for fitting-out new ships and for carrying out repairs afloat. An outer harbour project, designed to handle ships, mostly ore carriers, of 100,000 to 200,000 tons, is also nearing completion. The shipyard has plans for setting up a ship repair and building complex at the

necessary cranes, which include a 125-ton hammer head crane.

The shipyard employs about 4,000 workers, 250 supervisors and 220 technical officers. Most of the officers are university graduates in naval architecture, marine and other aspects of engineering. Many of them have been trained in advanced shipbuilding and production technology in Britain, Germany, Japan and Poland and they are periodically sent abroad to keep themselves abreast of the latest trends in shipbuilding and automation techniques.

Hindustan Shipyard has so far built and delivered 63 vessels (amounting to over 500,000 grt), most of them being ocean-going cargo ships. The ships built at this yard have been assigned +100A1 classification by Lloyd's and are said to be comparable to European-built ships in all respects.

### Expansion in two stages

Pioneer Class mini-bulkers of 21,600 figure prominently in the construction programme of the yard. Including the vessels under construction, the shipyard has on order 24 vessels, 19 of them Pioneer Class mini-bulkers. The company has a two-stage expansion programme, drawn in consultation with Seadec and Lively Henderson of the United Kingdom, under which shipping tonnage is to be increased to 86,000 tons a year. The expansion is estimated to cost about \$6m.

Together with the ship-repairing facilities installed two years ago, Hindustan Shipyard is a composite yard of importance in Asia. Its dry dock, the biggest in India, is 244 metres long and 38 metres wide with an overall depth of 11.8 metres from the ground level to the floor of the dock. The dock can accommodate ships up to 57,000 tons. Bigger ships up to 70,000 tons may also be docked, subject to the limitations of length, width and draft.

The crucial items that are still being imported are the advanced navigational equipment like gyro, compass and radar which are obtained mostly from Britain.

India has still much to learn in technology, both for designing shipyards and building ships. This technological gap is expected to be bridged when the Government sets up the proposed Central Marine Design and Research Organization for building a nucleus of indigenous skills.

outer harbour, which will be one of the deepest artificial harbours in the world.

The Garden Reach Work-shops, Calcutta, which was established in 1884 as a partnership firm and was taken over by the Government of India in 1960, was also mainly a ship-repairing unit to start with, but has since then built up capacity to build tugs, dredgers, launches, fishing trawlers and liner and bulk carriers of 25,000 tons. Its expansion plan provides for the modernization of its existing dry dock into a building dry dock and the construction of a finger-type fitting-out jetty and the improvement of the facilities in the workshops for building ships.

When this expansion plan is completed during this year, Garden Reach will be able to build two ocean-going ships of 25,000 tons a year. Apart from this, the company has set up a marine diesel engine plant at Ranchi in Bihar in collaboration with MAN of West Germany.

Apart from these three units, a big shipyard is going up in Cochin with technical collaboration with Mitsubishi Heavy Industries of Japan. The shipyard which will cost about \$40m is expected to be completed by September 1975 when the keel of the first ship will be laid.

Besides these four major yards, there are a number of other units in the private sector, such as Andrew Yule and Co. of Calcutta, Alcock, Ashdown & Co of Bombay and Gladstone Lyall and Company, Calcutta, which are engaged in building tugs, hopper barges, small craft, inland sea-going vessels up to 1,000 tonnes, and so on.

There are many problems which the Indian shipbuilding industry has to reckon with. The dependence on imported equipment which used to be as high as 80 per cent about 10 years ago has now been reduced to 45 per cent. When the marine diesel engine plant at Ranchi goes into production, the dependence on imported equipment will further come down to 15 per cent.



Poverty alongside twentieth-century technology—one of the new power stations outside Delhi. Its generators have an output of 400 megawatts.

## Development of nuclear power spearheads drive to solve energy problems

by Tim Congdon

India covers an area of more than three million square kilometres. It is not surprising, therefore, that it is reasonably well endowed with energy resources. Nevertheless, the subcontinent has been hampered in recent years by persistent power shortages.

It has also become anxious of the oil reserves of its Arab neighbours. The dramatic rise in the price of oil has been a special grievance, not only because of the direct impact it will have on India's balance of payments, but also because it establishes a marked disparity in income per head between two regions, which, if not far apart geographically, have economic problems of different kinds and gravity.

However, India has been making a determined attempt to overcome the problems facing it. There are three main parts to its programme. The first is the development of nuclear power, which culminated in the explosion of a nuclear device on May 16. India has insisted that this is for peaceful purposes. It should be of immense value in helping to assimilate the technology associated with the development of nuclear power stations.

However, nuclear power, as a supplement to the conventional power sources, is in its infancy. A small station at Tarapur near Bombay began to generate power in October 1969, with a capacity of 420 MW. Several other stations are in construction or are in the early stages of generation, but they represent a tiny fraction of the overall installed capacity.

Second, it has taken steps to develop what may turn out to be extensive offshore oil deposits. These are mainly off the west coast—one area being near Kerala and the other being known as the Bombay High. There may also be smaller reserves off the West Bengal coast.

The Government has long been reluctant to grant prospecting concessions to foreign companies, because of its wish to rely on its own resources of manpower, finance and technical skill. However the oil crisis has prompted a reexamination of priorities.

A government statement in the middle of May said that foreign firms have been invited to undertake the exploration and development of oil on India's continental shelf. The statement was terse because the

details are still clearly the subject of negotiation, but it seems likely that American companies are among those involved.

This followed a visit of Mr Boroach, the Minister of Petroleum and Chemicals, to the United States and Britain at the end of April. It is understood that the companies in question are fairly small and that the Indian Government is intending to give the state undertaking, the Oil and Natural Gas Commission, the exclusive right to exploit one of the 10 blocks.

The size of the reserves off the Indian coast is a matter for speculation. But it would evidently make an immense difference to the Indian balance of payments if the reserves turned out to be large.

Finally there are plans to step up coal production. Like Britain, India is still remarkably dependent on coal for both power and transport. In 1972-73 coal production was 76,400,000 tonnes, with the electricity supply industry much the largest purchaser.

The coal deposits are concentrated in the north-east of India, in West Bengal, Bihar, Orissa and Andhra Pradesh. These areas are consequently also the major

ones for iron and steel production, and heavy engineering.

The coal mines were nationalized in 1972 and 1973. They now function under the authority of the Coal Board, whose work has been described as "the promotion of safety in coal mines and the conservation of coal".

One of the principal objectives in energy policy over the next few years will be to raise coal output. The fifth plan envisages output levels of 90 million or 100 million tons within the next two or three years. This will make India one of the largest coal producers in the world. By comparison, Britain, the largest producer in Europe, mines about 130 million tons a year.

This three-pronged attack on the power problem should eventually result in the more plentiful provision of power supplies to industry and commerce. However, for the time being the situation remains critical. In the eastern states, in particular, the damage which has been done has been serious. Load-shedding and power cuts are everywhere, the fifth plan to remedy this and a target of 2,120,000kW is envisaged for 1974-75.

This should help to ease that, in the next few years, India has sufficient energy resources to keep production and exports. This should help to ease that, in the next few years, India has sufficient energy resources to keep production and exports.

## The king of India's forests doesn't rule the land any more

When you think of tigers, naked fakirs and the Indian rope trick, you think of an India that most of her own people do not know. For while the tiger roars majestically in his reserved forests, the modern Indian is busy carving out a better life for himself. Today, tractors and steel plants are the symbols of a new India.

A better life in the modern world needs greater economic independence. That is why heavy industry and a more productive agricultural system receive great importance, for it is these that lay the foundation for a nation's prosperity. India's mines, steel plants and other metal processing plants are rapidly taking her towards self-sufficiency in these vital areas. Her agriculture is no longer geared merely to subsistence but to the building up of a surplus.

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مركز لادن للإمداد





Commuters from the suburbs of Bombay during the morning rush hour.

## Railways have difficulty keeping up the pace

A Special  
Respondent

in a few miles of track by the British some 120 years ago, the Indian railway system has grown into the country's fourth largest, though having difficulty in keeping pace with the growth of the country's economy and population.

The network is entirely owned by the Government and is the largest single enterprise in the country, employing two million people at a capital outlay of about Rs 7,000 million.

Statistics are equally impressive—335,000 goods coaches, 33,000 passenger coaches, 11,500 locomotives, 7,000 railway stations, 40,000 miles of track and 600,000 tonnes of freight moved every day.

These figures that would be regarded as colossal in most countries are not in a country of the size of India with its population of almost 600 million.

Hardly in a position to last, the Indian Government is struggling to keep the railway system running. Frequent strikes and primitive methods, inherited by the Government from the former owners who spent little or nothing on modernization, keep to schedules and pose major problems.

transport bottlenecks certainly play their part in delaying deliveries.

Like everything else in India, the transport problem is big and complicated. Over the past 10 to 15 years, the railway ministry has electrified or changed to diesel several thousand miles of track, though steam traction remains the primary form of power. Now the country's energy crisis is total and there is pressure in every direction—on oil, coal and electricity.

The hoisting of Middle East oil prices has hit the country hard. India may have to spend nearly 75 per cent of its foreign exchange earnings on oil imports in the coming year. But there is a glimmer of hope in optimistic reports of the latest oil strike in offshore drilling off Bombay. The area may yet become India's North Sea.

There is a one million kilowatt shortage of electrical power, especially in northern India and the vital eastern industrial districts of West Bengal, caused by lack of water in rivers and of coal, and production in most factories has resolutely been curtailed.

India has vast coal resources, but mining has run into difficulties since the nationalization of the mines two years ago. Frequent strikes and primitive methods, inherited by the Government from the former owners who spent little or nothing on modernization, keep to schedules and pose major problems.

All these difficulties have confronted the Indian Government with a serious difficulty—where to concentrate its efforts. Manufacture of steam locomotives was stopped only two years ago, but there are now suggestions that it should be revived. There may also have to be a temporary halt to electrification.

Despite the problems, the Indian railways remain among the cheapest in the world. You can travel 1,000 miles by third class for less than Rs 50 (less than £3). A 20-tonne wagon costs just over Rs 1,000 (£55) to haul goods over a distance of a thousand miles. With the oil price increases, lorry transport can no longer undercut rail charges.

Between them, the rail lines and the fairly well maintained road network of more than 300,000 miles, provide fast connections for people and goods to every corner of India. All major ports are well served, though efficiency could be greater.

Firm estimates are hard to come by, but it is thought the country's 400,000 commercial vehicles—mostly built domestically—haul almost as much freight as the railways. Oil price increases have not, however, helped.

The railway moves vital raw materials, such as coal, fertilizers, oil and food products, in bulk. Its importance can be gauged from the damage done by a 20-day strike

over wages last May, when the national economy lost something between Rs 5,500m and Rs 11,000m in production. The railway also offers special fast freight trains and a fairly successful door-to-door container service.

The country's planners have done well to build up a massive rail manufacturing industry, too, which supplies most of India's requirements and also sends abroad. According to experts, export orders for wagons and rolling stock could pour in if there were no steel shortage and schedules could be met.

The jet age has yet to make any major impact on the country's external trade, mainly because of the cost and the type of exports. There are few items of consumer cargo that can be carried by air, but what little there has been has also been affected in recent years.

Many international carriers abandoned Calcutta several years ago because of the frequent strikes, violence and other troubles in the West Bengal capital. Now more airlines are avoiding other airports such as Bombay and Delhi because of the fuel situation.

But in any case, according to some leading exporters, a more important problem than finding space on planes is that of getting goods to the airports on time.

Another of the country's handicaps is its highly congested docks, especially in

Bombay and Calcutta. While a new harbour is being planned for Bombay along with the two-city across the over-crowded island town, Haldia port has already started relieving some pressure on the freshwater port of Calcutta which is so difficult to navigate.

There is little seaborne internal trade, unless one takes into account the short coastal runs by small sail-driven craft. However, the Government is spending money on encouraging transport along the coast by mechanized craft as well as on building up an inland transport network.

While the Government grapples with so many complex problems of transport, a newspaper editorial recently supported the idea of boosting the age-old method of bullock carts.

According to a survey, carts carry more than 2,000 million tonnes of goods on short hauls every year—almost 10 times as much as the railways.

The Indian Institute of Management, in the southern city of Bangalore, is reported to be making a study of how to construct an efficient bullock cart that can move faster and travel longer distances. The newspaper maintains there is no doubt that bullock carts will continue to play a major role in the nation's economy, and few Indians would deny that.

## Growing shortage of shipping services

by a Correspondent

Shipping is rapidly becoming a major constraint on India's exports. Two factors are at work here. Freight rates have been rising steadily, and exporters claim this is inhibiting export growth. Second, and more serious, there is a growing shortage of shipping services.

This is indirectly related to the freight rate problem, because the shortage is most acutely felt in the liner trade where the constant confrontation over freight rates between the conferences and the Indian shippers—which are backed heavily by the Indian Government—makes Indian ports unattractive to the conferences.

In 1972-73 Indian ports handled 58 million metric tons of traffic. Of this about 46 million tons consisted of four bulk commodities: petroleum products, fertilizers, foodgrains (all imports) and iron ore exports (13 million tons, primarily to Japan).

Other dry cargo, which is handled mainly by the liner conferences, totalled about 12 million tons and has been virtually stagnant at that level for the past five years.

This stagnancy in dry cargo goes partly to reflect the slow growth both in volume and value terms of Indian imports of non-bulk commodities. It also reflects the fact that the entire growth in exports during this period has been largely due to higher unit value realizations. However, the boom in Indian exports over the past 18 months has forced attention on the inadequacy of shipping space, particularly on the India-United Kingdom-West European routes.

Freight rates have been rising steadily. The Shipping Ministry reports freight rate increases varying from 10 to 27 per cent in 1973-74. The liner conferences have also levied 10 to 15 per cent currency adjustment surcharges, bunker surcharges and port congestion surcharges, particularly in Bombay when the turnaround time for vessels deteriorated sharply last year.

The subcontinent—United Kingdom—West European conference (which handles over 40 per cent of India's trade) is proposing a 10 per cent increase in freight rates from October, 1974 as compensation for rising operating costs. This follows a 12.5 per cent increase imposed last October. Indian shippers have rejected the proposals, and the battle lines have been drawn for yet another showdown in the negotiations due to take place this autumn.

The Government says that freight rates have been rising far too frequently. It accuses the conference of profiteering through frequent, unilaterally imposed and unexplained surcharges. The conferences on their part plead helplessness in a world economy with high inflation rates and floating currencies.

They claim their rates of return on investments remain low, that Indian ports are grossly inefficient—resulting in a disastrously long turnaround time for ships—and that Indian export cargoes, because of their lower unit values, have traditionally been subsidized by shipments from Europe to India, whose unit values are higher. European shippers, they claim, now reject this round voyage freight rate structure.

It is quite possible that Indian exporters are over-sensitive to freight rate changes. A common example is tea, in which supply outstrips demand and is clearly sensitive to freight costs. The freight element in the price of tea has risen over the past decade from 5 to 12 per cent. But as the rupee is floating, it has depreciated against all major currencies.

This makes Indian exports highly competitive and has not been demonstrated as an increase in freight costs inhibits all Indian export items. As one exporter puts it: "We can bear freight rate increases. What we cannot bear is the absence of shipping."

There is, of course, a worldwide shortage of shipping. But India seems to have been particularly badly affected by it. Services are infrequent and erratic and the vessels are old and outdated. In 1960-61, 782 British ships (3,500,000 metric tons) were cleared from Indian ports. By 1972-73 only 280 British vessels (1,700,000 tons) were cleared from Indian ports. There has been some growth in the number of vessels of non-British origin cleared from Indian ports during this period, but not enough to offset the decline in British shipping services to India.

The fault lies partly with the conferences and partly with the way the Indian Government has handled them. Liner conferences were designed to rationalize sailings so as to provide continuous and regular services and eliminate cut-throat price competition. But in fact they have deteriorated into

bodies which eliminate price competition altogether and pool their profits. This in effect means that freight rates are determined by the operating costs of the least efficient members of the conference. New members are scrupulously kept out, and hence exporters are left entirely at the mercy of the conferences because they are left with no alternatives, and deprived of the enormous technological advances in world shipping.

The India-United Kingdom-West European conference have been able to indulge in these restrictive practices because Indian flag ships—including the public sector giant, the Shipping Corporation of India—are members of the conferences and are kept happy with a large share of the cake.

The Government, on its part, has from the very beginning followed an interventionist policy vis-à-vis the conferences. Through a freight investigation bureau the Government attempts to ensure "fair" freight rates and secure space for Indian ships. New Delhi also insists on sizeable rebates for government and public sector imports and exports and frequently negotiates special freight rates for particular commodities as, for example, the recent successful attempt to reduce freight rates for newsprint and woodpulp imports.

This policy has had a predictable impact on the behaviour of conferences who have retaliated by simply reducing the frequency of their services to India, allocating "any old ship" to Indian routes, and finding any excuse to raise freight rates. One shipping economist describes the frequent use of the currency adjustment factor for levying surcharges as "quite wicked."

India's deputy Minister of Shipping announced in Calcutta recently that his ministry was reviewing the working of the liner conferences. He said the system was not working in India's interests and the Government was examining what could be done about it. He called for greater coordination between shippers and shipping lines so as to make the optimum use of what shipping space was available.

The shipping ministry is reportedly investigating the rebate on acquisition of ships after May 31, 1975, under the scope of FERA (Foreign Exchange Regulations Act), have an excellent opportunity to dilute equity by setting up manufacturing units in the Zone and diversifying into electronics export.

The investments in Indian-owned liners, Indian exporters will haulage component from remain at the mercy of the cargo handling charges so as conferences.

to differentiate the issue of port inefficiency from the issue of rising operational costs is also under examination. The commerce ministry, which is concerned about the adverse consequences for Indian exports, has been emphasizing the need to improve port efficiency and introduce palletization and containerization to reduce turnaround time. The ministry is also arguing the case for a larger investment by Indian shipping companies in dry cargo liners. India has 201 ships operating on its overseas trade routes; these ships account for roughly 16 per cent of its trade. However, the share of Indian flag carriers in bulk commodities is low, though Indian ships handle 45 per cent of the liner trade.

## Provided the bulk of the funds

The planning commission, with its eye on making a major dent on the foreign exchange payments—on account of freight payments, has provided the bulk of the funds allocated for shipping in the fifth five-year plan (1974-79) for the acquisition of bulk cargoes and tankers. Of the 250 ships due to be acquired during the plan, 107 will be liner vessels, and 143 will be tramp ships. The tanker fleet will increase fivefold to 1,370,000 gross tons, the tramp fleet over three times to 1,050,000 gross tons, and the bulk carrier fleet over four times to 3,560,000 tons.

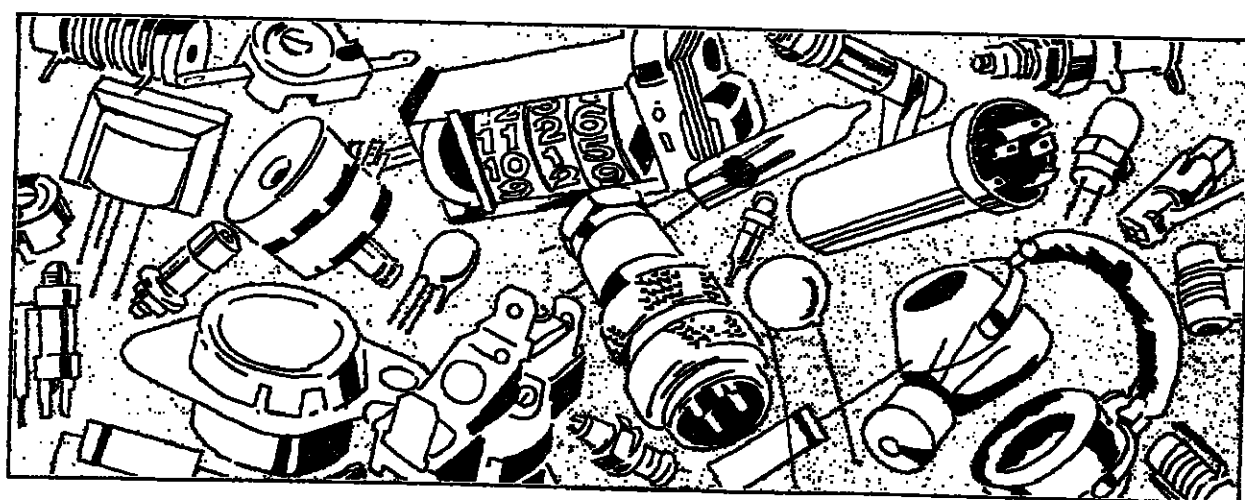
However, the liner fleet will only double in tonnage from 1,030,000 tons to 2,060,000 tons. As a result, while the plan estimates that by 1979 Indian ships will carry 100 per cent of the trade in crude oil and petroleum products, 50 per cent of the iron ore exports to Japan and 100 per cent of the iron ore exports to Europe, its share in the liner trade will go up from the present 45 per cent to 50 per cent.

This relatively small allocation for liners fits in with the priorities of Indian shipping companies. They find the liner trade too troublesome and not profitable enough to make the effort worth while. With the withdrawal of the development rebate on acquisition of ships after May 31, 1975, under the scope of FERA (Foreign Exchange Regulations Act), have an excellent opportunity to dilute equity by setting up manufacturing units in the Zone and diversifying into electronics export.

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## Port houses spreading far afield

Director,  
Ports, Bombay

As Professor  
Luhman puts it, it is  
shrinking  
fast, far-flung  
networks  
village. One of  
stations of this has  
water, economic  
ling and inter-  
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in 1964 to 1973,  
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t trade de-  
vions and the wid-  
between their ex-  
ports.

less, many devel-  
oped like India  
trying to reduce  
dependence on im-  
ports given priority  
to substitution as  
an means of indus-  
trial policy has po-  
sitioned India, it has

other implications. To en-  
courage rapid industrial de-  
velopment India imposed  
controls and offered the vast  
domestic market as a highly  
protected and profitable  
market. For the manufac-  
turers and traders the pull  
of the growing domestic  
market has been so lucra-  
tive that most of them did  
not consider exports worth  
while.

For most industrial pro-  
ducts there is a tremendous  
domestic demand and exports  
do not play any direct sig-  
nificant role in the survival  
and growth of the manufac-  
turing units licensed in the  
past. In such a situation how  
can the nation develop a  
long-term export strategy?

The answer obviously  
would be to increase produc-  
tion rapidly and develop sur-  
pluses, but in most cases  
this has not been possible  
because of the paucity of  
resources and the Govern-  
ment's policy to restrict ex-  
ports of raw materials and  
wages licensing of industries.

Industrial growth has just  
not kept pace with the do-  
mestic demand and in the  
meantime the mounting bur-  
den of debt repayment and  
the increased balance of pay-  
ment deficits in the early  
1960s threw up sharply the  
need for a systematic build-  
up of Indian exports. With  
it the concept of Indian ex-  
port houses was born.

With the limitations on the  
growth of traditional exports  
there was a desperate need  
to diversify and promote the  
export of products of other  
kinds. Progress has been  
made towards developing a  
fairly extensive export base  
in steel, engineering, chemi-  
cals, pharmaceuticals,  
plastics, processed foods,  
light and heavy engineering  
and many other things.

**A complicated operation**

International marketing is  
a complicated operation. It  
involves doing business with  
foreign governments, firms  
and organizations; it re-  
quires meeting the custo-  
mer's specifications, quality  
standards and delivery terms  
and calls for comprehensive  
and effective after-sales ser-  
vice. It is in this context  
that the Government encour-  
aged the setting up of mer-  
chandising export houses in  
India mainly for non-tradi-  
tional products.

The Indian export houses  
have endeavoured to orga-  
nize themselves to meet the  
exacting standards of the  
international market while  
operating within the con-  
straints of the domestic  
economy. They have built  
up specialized skills in mar-  
keting and have established  
agencies at home to deal  
effectively with the country's  
extremely slow bureaucratic  
machinery, which has neces-  
sarily to be involved in  
almost all aspects of export  
business.

Within a few years of  
their inception the export  
houses have established a  
record rate of progress: a  
recent study by the Federa-  
tion of Indian Export Organi-  
zations indicated an average  
growth of 33 per cent in  
their export turnover mainly  
for non-traditional products  
during the fiscal year 1973-  
74.

The economic logic of ex-  
port houses derives from  
their ability to line up a  
comprehensive range of  
allied products for export  
from a number of manufac-  
turers at minimum cost. In  
India, where exports of most  
of the firms are small, it  
makes sense. Automobile  
products are an illustration.

In the overseas markets  
they will share a common  
distribution and after-sales  
service organization. The  
cost of marketing is spread  
over a number of products.  
This combined endeavour is  
not only economically attrac-  
tive but also readily accept-  
able abroad.

Unlike those of other coun-  
tries, the manufacturers in  
India are not licensed for a  
wide range of products. For  
instance, light vehicles are  
not produced by manu-  
facturers of heavy vehicles  
and vice versa, and unless a  
comprehensive range is  
offered it is difficult to get  
leading and established trad-  
ing organizations abroad to  
take an active interest. By  
combining the endeavours of  
several manufacturers the  
international trading position  
is strengthened.

Economic logic dictates  
that a country must special-  
ize in exports of those goods  
in which its abundant factors  
of production are used more  
and scarce factors are used  
less. Developing countries  
such as India must therefore  
identify and establish the  
manufacture of labour-inten-  
sive products, as far as pos-  
sible using domestic raw  
materials, for which a  
demand exists in the world  
markets.

This will place the export  
of non-traditional products on  
a stable footing and at the  
same time offer worthwhile  
employment opportunities.  
Most developing countries,  
particularly India, in their  
anxiety to become economic-  
ally self-sufficient have con-  
centrated on import substi-  
tution industries rather than  
on industries enjoying com-  
parative advantages. In this  
connection the Indian export  
houses are doing valuable  
work in identifying export-  
oriented industries for which  
a more economical manufac-  
turing base can be estab-  
lished in the country. Some  
export houses have in fact  
started new industries en-  
tirely for exports as their  
own manufacturing divisions.

In India many manufactur-  
ing units in the engineering,  
chemical and other industries  
have made commendable  
progress. Their products are  
comparable with the best in  
the world. They are deeply  
quality-conscious and fully

informed of the technologi-  
cal improvements and inno-  
vations being introduced all  
over the world.

With these reliable manu-  
facturers, Indian export  
houses are taking a lead in  
promoting joint ventures  
abroad. More than 120 joint  
ventures have been or are  
in the process of being estab-  
lished.

The export houses provide  
commercial information, lo-  
cate the right partners in the  
countries concerned and  
sometimes assume the respon-  
sibility for management of  
the projects, with the techni-  
cal support and assistance of  
the Indian manufacturers.

The experience of Indians  
in establishing industries in  
their own country is particu-  
larly suitable for other devel-  
oping countries. In fact, the  
operation of Indian manu-  
facturers and export houses  
is now being sought by many  
multinational corporations  
anxious to expand in other  
developing countries but un-  
able to provide the manager-  
ial resources and time.

Indian export houses in  
these cases assume the com-  
mercial responsibility and  
management of such ven-  
tures with the technical sup-  
port and assistance of the  
multinational corporations,  
and vice versa, and unless a  
comprehensive range is  
offered it is difficult to get  
leading and established trad-  
ing organizations abroad to  
take an active interest. By  
combining the endeavours of  
several manufacturers the  
international trading position  
is strengthened.

**African and Asian countries**

Many foreign offices have  
been established by the ex-  
port houses. Their main  
thrust has so far been in  
African and Asian countries;  
but with the establishment of  
export-oriented industries for  
the manufacture of products  
required by the developed  
countries the export houses  
have already initiated mar-  
keting activity in the indus-  
trialized countries.

This will be followed by  
the setting up of warehouses  
and distribution centres to  
enable them to offer deliv-  
eries from stock and thus  
remove one of the important  
constraints of distance and  
long delivery periods. Sub-  
sidiary trading companies  
are also being established in  
the adjoining markets with  
the object of developing  
third country business.

The success of Indian  
export houses, in the context  
of developing economies such  
as India's, may establish  
their usefulness for many  
other developing countries.  
The trading experience and  
organization developed dur-  
ing the past few years should  
enable them to expand rapid-  
ly their operations in India  
and abroad.

Their specialized know-  
ledge has given them the  
necessary confidence to plan  
for their future in the hope  
of making a greater contri-  
bution to the growth of  
world trade.

## Engineering technology forges ahead

Dr B. V. Bhoota  
Chairman, Engineering  
Export Promotion Council

During the past 25 years of  
planned development the  
Indian engineering industry  
has made tremendous pro-  
gress. Its share in the organ-  
ized sector works out to ap-  
proximately 28 per cent of  
the number of factories, 35  
per cent of the productive  
capital, 30 per cent of the  
employment, 34 per cent of  
the value of output, and 31  
per cent of the value added  
by manufacture.

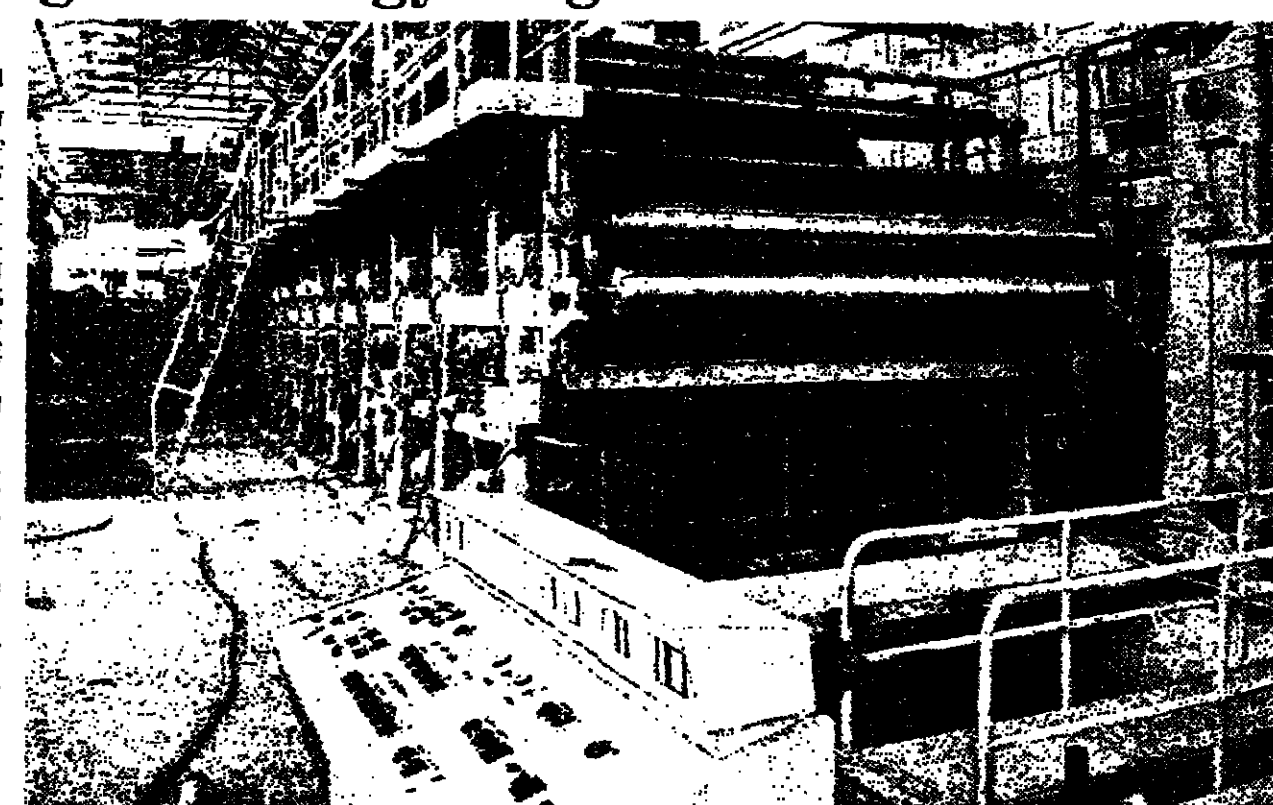
It has invested approxi-  
mately Rs28,000m in factor-  
ies, produces approximately  
Rs30,000m worth of goods,  
and provides work for approx-  
imately two million people.  
Indians are now designing  
and building a variety of  
complex engineering plants  
at home and are winning  
recognition abroad. Indian  
technologists are preparing  
feasibility studies and pro-  
ject reports on many enter-  
prises in different countries.  
Indian consultants are cap-  
able of providing a total  
range of services from pre-  
liminary surveys to the com-  
missioning of plants.

The progress made by the  
industry is reflected in the  
progressive increase in  
Indian exports to world  
markets in diverse forms of  
engineering production. In  
terms of value, exports have  
increased from approxi-  
mately Rs50m in 1956-57 to  
Rs1,780m in 1973-74. The  
engineering industry world  
rank third in the exports  
list, but during the fifth five-  
year plan, ending in March  
1979, it has been assigned  
the first place. Exports by  
1978-79 are expected to be  
worth Rs4,500m.

At first exports were con-  
fined to simple manufactures  
and consumer durables.  
There has been a significant  
shift in the composition of  
engineering exports during  
the past 18 years. (See table  
in columns six and seven.)  
Nearly a third of the total  
engineering exports now con-  
sist of plant and equipment,  
turnkey projects, electrical  
equipment, heavy structural  
fabrication, transport equip-  
ment and capital goods. It is  
proposed to raise this propor-  
tion to 50 per cent by the  
end of the fifth five-year  
plan. Some idea of the pro-  
gress made in this sector is  
given by the fact that during  
the past five years the cumu-  
lative exports in plant and  
machinery (textile, cement,  
sugar, food processing and  
other machinery) were about  
Rs160m. The projected value  
during the next five years in  
this sector is Rs2,270m.

Similarly, while the cumu-  
lative exports of railway  
coaches and wagons during  
the past five years have been  
about Rs182m, the projection  
for the next five years is  
Rs2,000m. For heavy electri-  
cal equipment the compar-  
able figure is Rs196m, and  
this is proposed to be more  
than doubled during the next  
five years.

foreign investors to reduce  
their share of the equity to  
40 per cent or below. This  
also imposed ceilings on  
certain types of remittances  
such as royalties and tech-  
nical fees. And the elab-  
orate Foreign Exchange  
Regulation Act of 1973  
attempts to plug the  
exchange leakages through  
such devices as over-in-  
voicing of imports and  
under-invoicing of exports.  
Foreign companies have  
begun to examine how they  
can survive in this new re-  
gime.



The engineering industry is facing the challenge of the developing paper famine. This machine to make specialty papers is manufactured by Utkal Machinery.

While more than 50 per  
cent of the exports are still  
going to the countries in  
South-East Asia and west  
Asian countries, the devel-  
oped countries have also sub-  
stantially increased. The  
second table gives an idea  
of the direction of Indian  
engineering goods exports.  
While a wide range of  
capabilities has been devel-  
oped in various branches  
the strategy adopted is that  
products and services offered  
abroad should essentially be  
limited to those sectors in  
which the technology of  
production is fully devel-  
oped. Where this is not  
readily available the offer of  
engineering consultancy ser-  
vices is limited to detailed  
engineering. With this broad  
objective, the products and  
the engineering consultancy  
services being offered are  
concerned with dams, power  
transmission and distribu-  
tion, roads and highways,  
water supply and sewerage,  
construction engineering and  
equipment, agricultural im-  
plements, irrigation, flood  
control and drainage equip-  
ment, mineral exploration,  
haulage and dressing, keels in the developing

retrolling mills, grey iron and  
steel foundries, cement and  
cement products, sugar, cot-  
ton textiles, oil extraction  
and processing, machine  
tools, chemical plants, fer-  
tilizers, and light engineering  
industries including consu-  
mer durables such as bi-  
cycles, sewing machines,  
electric fans, switches and  
lights.  
India is also able to offer  
consultancy services in all  
aspects of railway construc-  
tion and operation, including  
all engineering disciplines—  
civil, mechanical, electrical,  
telecommunication and pro-  
duction shops.  
Various projects have been  
undertaken abroad for set-  
ting up facilities for the  
manufacture of textiles,  
paper and cardboard, ad-  
hesives, cement products, electric  
fans, domestic sewing  
machines, bicycles, cement,  
sugar, light and medium  
structural fabrication. Al-  
though India's share so far  
has been negligible com-  
pared with the growing  
volume of world trade, it  
looks forward to having a  
substantial share of the mar-  
ket in the developing

countries. The short-term  
effort is selective; so that the  
scarce resources available  
are used to build up an ex-  
port base in a few areas  
rather than being diffused  
over a large area.  
India seeks to ensure that  
the time required to bring  
new capacities into operation  
for manufacture of com-  
ponents is relatively short. In  
recent years it has acquired  
ability to participate in  
programmes of industrial de-  
velopment abroad, especially  
in the developing countries.  
We are now able to build  
up a variety of infrastruc-  
tural facilities from the stage  
of planning and designing to  
installation and commission-  
ing of plants. We wish to  
share this ability with the  
developing countries to our  
mutual advantage. It is this  
desire to share the fruits of  
its economic development  
with other countries that has  
led India to make a begin-  
ning in establishing joint  
ventures.

Scarcity of capital, and  
other handicaps have made  
the developing countries con-  
centrate mainly on small and  
medium scale industries.  
Because of its growing ex-  
perience Indian collaboration  
and participation in the  
establishment of industries  
in the developing countries  
is likely to be welcomed.  
Nearly 40 joint ventures in  
the engineering sector have  
been approved by the  
Government of India, of  
which 20 have already gone  
into production.  
From a small beginning  
the engineering industry has  
come to occupy the third  
position in India's export  
trade and promises to take  
the first position by the end  
of the fifth five-year plan.  
The road has had pit-  
falls because of domestic  
and external factors, but this  
has helped the industry to  
gain self-confidence. If devel-  
opments in international  
trade are any indication, the  
future is likely to be more  
difficult. The engineering  
industry is, however, deter-  
mined to play its part, and  
to secure a respectable posi-  
tion not only in India's ex-  
port trade but also in the  
world market for engineering  
goods.

| Growth of engineering exports  |        | 1956-57 | 1973-74  |
|--|--------|---------|----------|
| (a) Total exports (Rs million)   |        | 53.00   | 1,780.00 |
| (b) Composition of exports (percentage of total)   |        |         |          |
| Industrial plant and machinery (textile, cement, sugar, chemical, food processing machinery) |        |         |          |
| Power generation and distribution equipment (including transmission line towers)             |        |         |          |
| Fabricated structures (excluding transmission towers)  | 14.00  |         | 33.00    |
| Transport equipment  |        |         |          |
| Others (consumer goods)  | 86.00  |         | 67.00    |
|  | 100.00 |         | 100.00   |

| Markets for engineering goods                 |       | 1956-57 | 1973-74  |
|---|-------|---------|----------|
| (a) Total export (Rs million)                 |       | 53.00   | 1,780.00 |
| (b) Direction of export (percentage of total) |       |         |          |
| Asia  |       |         |          |
| SE Asia                                       | 34.05 | 29.00   | 53.40    |
| West Asia                                     | 37.87 | 24.40   | 71.92    |
| Africa  |       |         | 22.96    |
| Europe  |       |         |          |
| East Europe                                   |       | 13.16   |          |
| West Europe                                   | 0.66  | 7.53    | 0.86     |
| North and Central America                     |       |         | 0.47     |
| Australia                                     |       |         | 1.46     |
| Others  |       |         | 2.33     |
|   |       |         | 100.00   |

## Investors take notice

from facing page

in excess of 40  
age of incentives  
ewed in the con-  
economy which is  
regime of licences  
s. The incentives  
drawn up not so  
a view to making  
more attractive  
cate an export-  
ature than, say,  
or Kenya, but  
to reducing the  
cessing and for-

own exchange controls for  
export-oriented ventures.  
In other words the incen-  
tives have not been de-  
signed primarily to cater to  
the needs of the foreign in-  
vestor but to provide a mea-  
sure of incentives that is  
consistent with India's own  
domestic political environ-  
ment, which continues to  
look at foreign investment  
with a mixture of hostility  
and suspicion that is typical  
of former colonies.

Thus, from the Indian  
Government's point of view,  
the concessions to export-

oriented ventures consti-  
tute a major relaxation of  
policies towards foreign in-  
vestment. This "relaxation"  
is a product of historical  
circumstances. The sizable  
flow of foreign investment  
into India in the late 1950s  
and early 1960s during the  
more liberal regime of  
Pandit Nehru was a direct  
result of the attractions of a  
large protected domestic  
market and political stabili-  
ty.

But since Nehru's death,  
political uncertainties have  
increased and the domestic

market expansion has  
slowed. During the populist  
era of the late 1960s foreign  
investment was exposed to  
an increasingly critical reas-  
sessment. One product of  
this reassessment was an in-  
creasing concern over the  
negative impact on India's  
balance of payments of pri-  
vate foreign capital.

With fresh investment  
flows small, flows going out  
on account of imports, divi-  
dend and profit remittances  
and royalty and technical  
fee payments outstripped  
flows coming in. The high-

cost structure of Indian in-  
vestments ruled out substan-  
tial export efforts. This  
argument ignores the bene-  
fits to the balance of pay-  
ments from import substi-  
tution. A recent study by the  
United Nations Conference  
on Trade and Development  
of 53 foreign companies in  
India showed that 48 had a  
negative direct balance of  
payments impact. These  
companies exported only 3.2  
per cent of their sales.  
To reduce the strain on  
India's balance of payments,  
the Government is forcing

One immediate result has  
been a greater export con-  
sciousness. This would not  
only enable them to claim  
that they are not a drain on  
India's balance of payments  
but would also fit in with  
the new requirements under  
the 1973 Foreign Exchange  
Regulation Act. Under the  
Act, companies with foreign  
equity participation in ex-  
cess of 40 per cent are  
required to reduce their  
share to 40 per cent in  
stages to be negotiated with  
the Government.

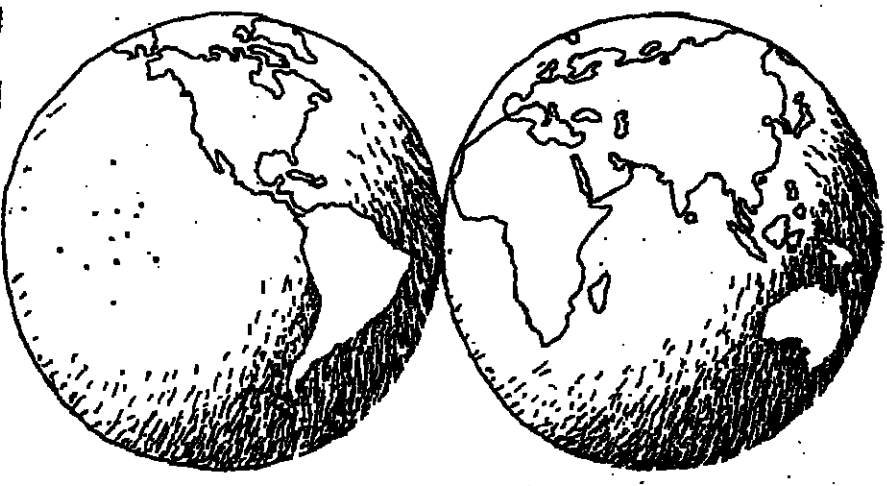
This can be done by in a few key industries re-  
outright sale to Indian  
parties or a dilution of their  
equity through new capital  
issues in favour of Indian  
parties which would help to  
finance the expansion of  
their Indian operations.  
This explains the increasing  
interest in export-oriented  
ventures which provide for-  
eign companies in India an  
opportunity for expansion  
and much greater flexibility  
in the choice of industries,  
Expansion for non-export  
purposes would have to be  
towards foreign investors.

New foreign investors  
with 100 per cent export  
operations in mind have no  
such restrictions to fear.  
For them, India's main  
attraction will be its low  
cost labour. The special in-  
centives the Government  
now provides will be useful  
in so far as they reduce the  
still sizable gap between  
India and those economies  
which have an open door  
policy for non-export and  
far less selective policy  
towards foreign investors.

in a few key industries re-  
outright sale to Indian  
parties or a dilution of their  
equity through new capital  
issues in favour of Indian  
parties which would help to  
finance the expansion of  
their Indian operations.  
This explains the increasing  
interest in export-oriented  
ventures which provide for-  
eign companies in India an  
opportunity for expansion  
and much greater flexibility  
in the choice of industries,  
Expansion for non-export  
purposes would have to be  
towards foreign investors.

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CAN  
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stand up to the test in the  
European market on an equal  
footing, backed as it is by Wickman  
and HMT.

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Economists set their targets with the aim of national self-reliance but the volatile international situation makes forecasting difficult

## Price upheaval means a flexible fifth plan where even the priorities can change

by V. K. Narasimhan  
editor, Financial Express

India's planners, who have been engaged for more than 18 months in putting the final touches to the production targets and capital outlays for the fifth plan, have been grappling with grueling problems posed by internal inflation and the external payments crisis created by the soaring prices of West Asian oil.

Even before the ink was dry on the first draft of the fifth plan the Planning Commission discovered that most of its figures had to be revised in view of the sharp rise in prices since 1972-73, which was the basis for the original estimates.

Hardly before this revision could be completed, the further rise in prices in 1973-74 and the radically new situation created by the crippling rise in the cost of oil and fertilizer imports called for a fresh review of the cost of projects and the resources available.

Although the fifth plan period officially began on April 1 this year, the final shape of the plan is yet to be determined. In view of the continual economic changes internally and internationally, there can perhaps be no finality regarding any targets and financial outlays. Flexibility in planning has become a necessity.

What is more, even the order of priorities cannot remain rigid in a dynamic situation. For instance, till recently the planners placed more emphasis on export substitution than on export promotion as the essential prerequisite of economic self-reliance. The oil and fertilizer crisis has compelled the Indian Government and the Planning Commission to accord high priority to export promotion in the fifth plan.

Luckily, the Indian economy's performance in the fourth five-year plan, which was so dismal in many other respects, has been most heartening regarding exports.

The past two years of the fourth plan (1972-73 and 1973-74) witnessed a growth in Indian exports at the rate of 22 per cent and 23 per cent respectively, raising the annual average rate for the plan period as a whole to 15 per cent, against the original target of 7 per cent.

In its first draft plan it had provided for exports going up to Rs28,900m by 1978-79, but this figure has already been rendered unrealistic by the soaring costs of imported crude oil. These are likely to rise so much in the next five years that India would have to increase its exports substantially to pay for its minimum requirements of oil and oil products alone.

In addition, there may be a heavy bill for imports of food grains, even if India succeeds in stepping up its output to 140 million tonnes by 1978-79, as envisaged by the planners. This year alone India expects to import two million to three million tonnes of food grains.

Not only that, but if India's proclaimed objective of self-reliance within the next five to 10 years—meaning by self-reliance the achievement of zero aid—is to be realized, it will have to finance its imports of oil, capital goods and raw materials entirely from its export earnings.

#### Interesting study by trade body

An interesting study by the Indian Institute of Foreign Trade, Delhi, has estimated that if India's import requirement in the next five years are realistically assessed, the country will have to plan to increase its exports to Rs44,700m by 1978-79 compared with Rs28,900m envisaged in the first draft of the fifth plan.

That this higher target calls for an annual growth rate of 12.8 per cent over the level of exports in 1973-74 may suggest that it would be difficult to achieve. Obviously export targets of this order cannot be realised unless the rate of industrial production is stepped up considerably and adequate export surpluses are generated in the sectors in which India can hope for a large export potential.

Judging by the performance of various export products in the past two years, the products for which India can expect larger export out-

lets are leather and leather goods, engineering products, marine food products, iron ore and handicrafts. India's traditional exports such as tea, jute, spices, cotton textiles and cashew will doubtless continue to be exported in large quantities, but their growth potential is marginal.

It is expected, for instance, that export of engineering goods, whose share in 1972-73 and 1973-74 was only 7.7 per cent and 7.5 per cent of India's exports, is likely to grow at an annual rate of 25.2 per cent in the next five years and will attain the first rank, accounting for 11.7 per cent of the total in 1978-79. The value of the engineering goods exported will increase from Rs1,850m in 1973-74 to Rs2,250m in 1978-79.

Cotton textiles will rank second with a share of 10.1 per cent, reflecting an increase of 2 per cent over 1972-73. Jute products which headed the list of export items in 1972-73 with a share of 12.7 per cent, are expected to grow at an annual rate of 6 per cent, but will occupy the third rank in 1978-79 with a share of 7.9 per cent.

#### 10 per cent annual growth rate

India's exports of iron ore and leather and leather goods will rank next, each accounting for more than 7.5 per cent of the total exports. The table illustrates the items in which India's exports are expected to achieve substantial increases. These higher targets will have to be attained both by securing higher prices for each unit of the product concerned and by stepping up the quantum of exports.

The targets envisage an annual rate of growth of more than 10 per cent for a number of items—gems and jewelry, 18.8 per cent; oilcakes, 13.1 per cent; fish and fish preparations, 15.7 per cent; cotton textiles handloom, 19.3 per cent; rayon textiles, 21.5 per cent; handicrafts, 7.5 per cent; chemicals and allied products, 13.7 per cent; basic chemicals and pharmaceuticals, 13.3 per cent; silk, rayon and synthetic textiles, 13.3 per cent.

The achievement of these targets will not be an automatic process. Considerable efforts of organization, streamlining of industrial production to create larger surpluses for exports, an intensive promotional effort in potential markets, offers of appropriate incentives to exporters, provision of facilities for achieving the export targets will all be needed.

In the case of some products, restraints on internal consumption will be necessary to increase the volume of goods available for export. While among non-traditional items, India has to place the greatest reliance on engineering goods, it is recognized that the international market for these goods is highly competitive, though it is also blossoming out—from elaborate multi-purpose lathes to sewing machines, from electrical and electronic equipment to transmission towers, from heavy electrical and engineering products such as electric fans and domestic appliances.

The Engineering Export Promotion Council, under the dynamic leadership of Mr. Raunag Singh, has been active in the exploration of new markets for Indian engineering goods.

Many organizations and agencies have been set up in the past few years to boost exports in general or to promote exports of specific commodities. There are as many as 17 export promotion councils concerned with exports of specific categories of products and the study of problems of export trade.

The Trade Development Authority has played a significant role in establishing links between Indian exporters and customers abroad and has been successful in securing new markets in Asia.

Western Europe and America for a wide range of non-traditional products such as ready-made garments, home furnishings, car ancillaries, electronics, processed food, bicycles and sports goods.

In the financing of export trade, apart from the role played by the commercial banks, valuable assistance is provided by the Export Credit Guarantee Corporation as well as the Industrial Development Bank of India. There are councils for cotton textiles, rayon textiles, rayon fabrics and allied products, handlooms, engineering products, leather and leather goods and others. In addition, there are a number of other bodies engaged in export promotion.

#### An experienced labour force

Besides fiscal incentive to exporters, various measures have been taken to provide finance for industries and traders engaged in exports. A Department of Export Production has recently been created within the Ministry of Commerce to deal with specific problems of industries engaged in production for exports.

In general, India has the infrastructure for embarking on a large-scale export drive, especially in areas in which it has special advantages either because of the availability of raw materials or an experienced and skilled labour force. India is in a particularly strong position to step up its exports to countries in Africa, the Middle East, and South-East Asia.

Additionally, agreements with the Economic and the General Preferences of India to increase to Western Europe.

A developer holds considerable for the coming launch of various prizes in various by Indian who are export capital machinery as a distribution to various. Exports are being financial concessional basis.

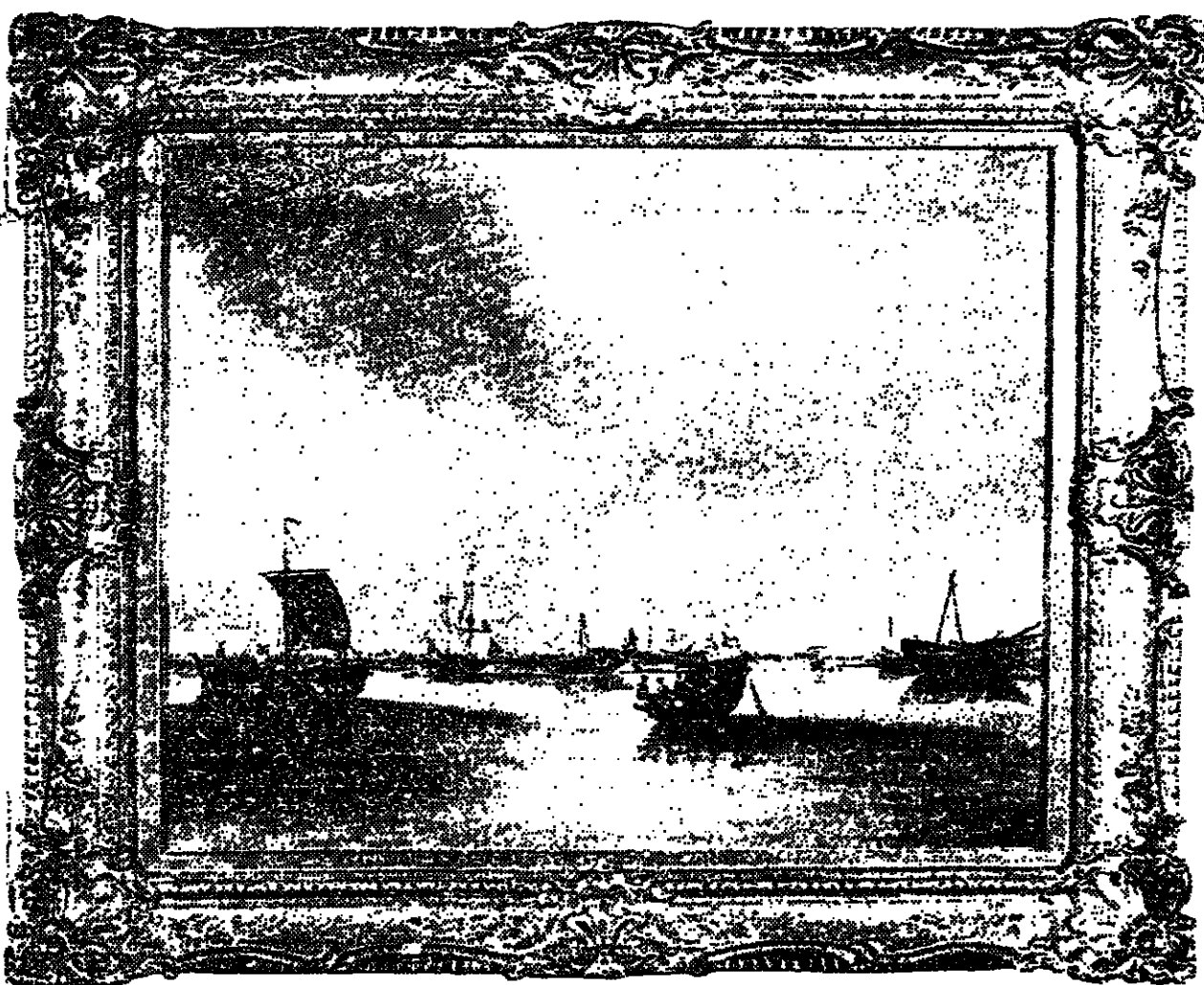
There seem considerable export of India services in engineering, management, the Ministry received 41 joint ventures compared with 30 is now in a position machinery and plans to manufacture types of chemical products. Entrepreneurs are up such plans.

To the end, as 39 Indian ventures have been set up, involving Rs75 million are being called for an Rs114m. Best represented equity partnership joint venture in additional goods valued at Rs1 of March, 1974.

Proposed export targets for the fifth plan period (figures in Rs m)

| Item                             | Estimated exports in 1973-74 | Draft plan targets |
|----------------------------------|------------------------------|--------------------|
| Tea                              | 1,650                        | 1,740              |
| Fish and fish preparations       | 895                          | 1,500              |
| Oilcakes                         | 1,560                        | 730                |
| Jute manufactures                | 2,228                        | 2,400              |
| Cotton textiles (mill-made)      | 2,378                        | 2,250              |
| Cotton textiles (handlooms)      | 600                          | -                  |
| Woolen textiles                  | 800                          | -                  |
| Leather and leather manufactures | 1,807                        | 2,110              |
| Chemicals and pharmaceuticals    | 1,108                        | 1,030              |
| Engineering goods                | 1,830                        | 4,000              |
| Iron ore                         | 1,352                        | 2,300              |
| Gems and jewelry                 | 1,050                        | 1,500              |
| Handicrafts                      | 603                          | 700                |

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George Chinnery painted this Calcutta river scene early in the last century—not long before the Mercantile Bank was founded in Bombay.

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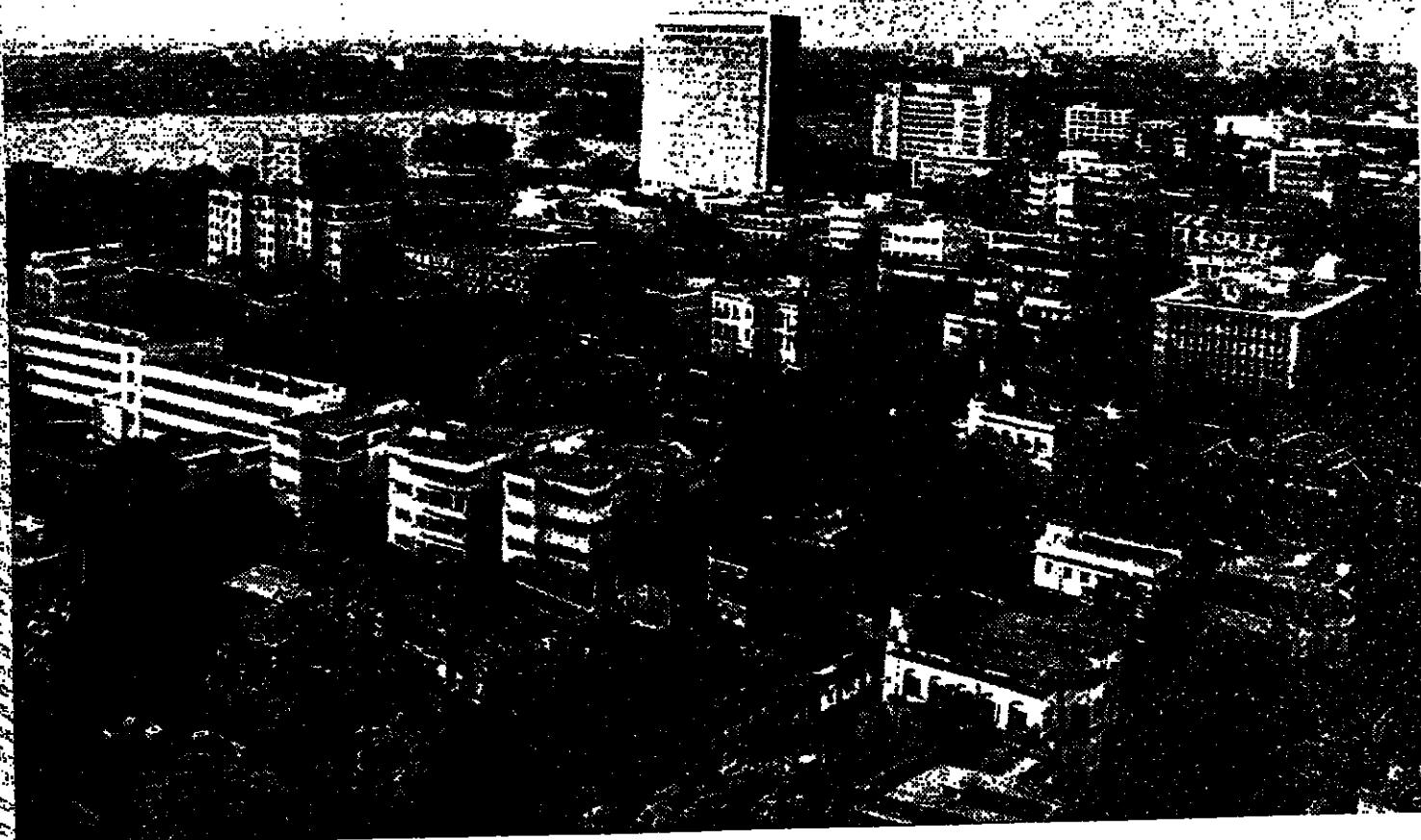
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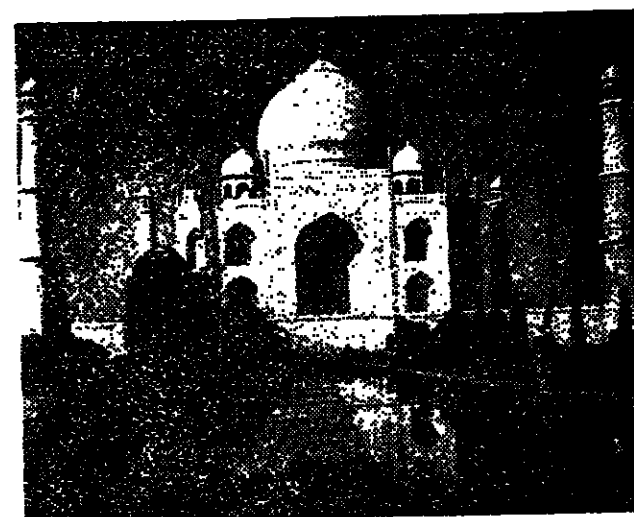
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The faces of India that the tourist goes to see. Far left : panorama of buildings ancient and modern in Calcutta ; a water carrier, above, and a snake-charmer, left, both in Bombay ; right : the Taj Mahal at Agra.



## rism's undeveloped potential reflects both government policy and geographical constraints

London India attracted a record 61,000 tourists in 1973, but the country's undeveloped potential reflects both government policy and geographical constraints. The Government does not wish to see parts of India become like the Costa Brava, overwhelmed and disfigured by commercialization. Through the India Tourism Development Corporation, it is aiming to construct more five-star hotels in the main cities and some cottage-type accommodation on the coastline and in the hill states. It is not intending to provide expensive facilities for package tour operations, which are handicapped in any case by the long flight from Europe or the United States.

In the Fourth Plan period, from April, 1969 to May, 1974, the ITDC is estimated to have spent about £20m on about 400 rooms in five-star hotels. Occupancy rates, particularly in the main centres of Delhi, Calcutta and Bombay, have been high.

The holiday cottage developments are principally on the south-west and south-east coasts. Goa, the former Portuguese colony, has a distinctive atmosphere, with a large number of Christian churches, and has been a favourite with those who have visited it. Kovalam Beach, at India's southernmost tip, will have a 200-room hotel shortly, while Mahabalipuram, a temple town near Madras, is also to be promoted.

The foothills of the Himalayas, which are cool in summer and served as a retreat for many officials and their families during the British period, are another priority area. The old hill stations on the eastern side of the Himalayas, notably Darjeeling, have been closed to tourists for some years because of the danger of hostilities with China, but this restriction has recently been removed. Although the Vale of Kashmir and the town of Simla have been neglected, there are signs that this is changing.

These government efforts have been handicapped by the absence of an adequate infrastructure. A common complaint of travel agents is that Europeans, who account for over 40 per cent of the tourist traffic, expect to see all of India in a fortnight in the same way that they may try to see Italy or France in a week. But this is not possible because of the size of the country, with the distance from Delhi to Madras, for example, being greater than that from London to Rome.

But even short distances are in many cases not well served by transport. The railways are not really suitable for tourist traffic, and the road system is not high on the Government's agenda because of the increased price of oil. It takes 12 hours to travel by road from Bombay to Goa, and five or six hours to make the 100-mile journey from Delhi to Agra and the Taj Mahal.

Despite these difficulties tourism has grown steadily in the past 10 years. In 1960 the number of tourists was 123,000, less than a third of the 1973 total. Britain, which sent 27,000 tourists in 1967 and 59,000 in 1973, remains one of the most important markets for the Indian tourist industry, and has also been one of the fastest growing.

This growing business is particularly significant because it produces foreign exchange, much of it in currencies which are freely convertible. In 1973 foreign-exchange earnings from travellers amounted to nearly £40m, compared with less than £30m in 1972. Although this is much less than the £120m earned by the jute industry or the £100m earned from cotton textiles, it has a smaller import component. While textile machinery often has to be bought from abroad and investment in hotels and infrastructure is spent entirely within India.

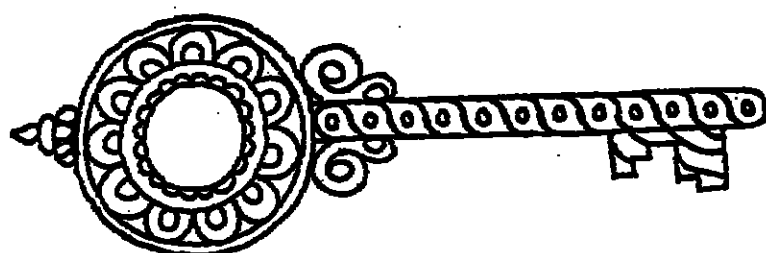
Prospects for further expansion are clearly good. Although India is not a cheap country—imported wines and spirits, for example, are expensive because of high duty—the hotels in the major cities, especially Bombay and New Delhi, are more than comfortable and reasonably priced. Whatever the drawbacks of surface transport, the air service between the principal towns is good.

India's problem is that its tourist trade tends to be of two sorts, high budget and low budget. The high budget tourist will not be discouraged by the air fare from Western countries or by hotel bills of more than £10 a day. But there is clearly only a small number of tourists potentially in this category.

The encouragement of low-budget tourists, on the other hand, has little to recommend it because, once in India, they do not spend much and consequently they do not contribute significantly to easing the shortage of foreign exchange. Nevertheless, a number of new youth hostels have been constructed recently, mainly in the northern half of India.

These efforts, combined with the immense tourist potential in India's heritage of ancient monuments and customs, should continue to make the sub-continent a major growth area for the tourist industry.

Help with the pictorial preparation of this Special Report was given by H. Cartier-Bresson, Mark Edwards, Margaret Murray.



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For many centuries, from the time of Alexander, India was a major shopping centre for most of the then known world. Spices, silks and the finest muslins, perfumes and fragrances and even high quality steel for the sharpest blades of Damascus came from India by camel and mule over the Khyber Pass and the legendary 'Silk Route'.

After a long lull, Indian industry has once again plunged into the hurricane of world trade with exports to all five continents. In this the Tata Companies have played a major role in promoting the sales of sophisticated Indian engineering and manufactured goods to growing numbers of foreign buyers. Thus has Tata steel gone to America, Tata trucks to Europe, Tata textiles and radios to Africa, tubes and press tools to Australia, and rails and railway equipment to Asian countries like Burma. Through its International Operations Division, VOLTAS has exported air

conditioning and refrigeration equipment, diamond core drills and drilling equipment and forklift trucks. It is preparing to offer castings and components for the machine tool industry.

The cutting edge of the Tata thrust abroad is Tata Exports Limited which has shown the fastest export growth rate for non-traditional sales to world markets. These include turnkey projects for engineering, supply and installation of transmission line towers, construction and materials handling equipment, fabricated steel, made-up textiles, chemicals and food products.

Tata Exports has combined the production capacities and industrial talents of the Tata Companies as well as of other reliable and quality-conscious Indian manufacturers to cut a high Indian profile in world markets. Tata Exports' activities have girdled the globe in both directions to enable India make both ends meet in international trade.



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## Causes of coolness between Dublin and London

In more cordial times, when the Northern Ireland Executive still flourished and the Council of Ireland still seemed a substantial if remote possibility, British ministers began to float the idea of a joint security conference involving the police and military authorities of both parts of Ireland. General Sir Frank King, the British Army GOC, it was said, would be able to sit down for the first time with his opposite numbers in the Garda and the Irish Army. Even after the executive fell Mr Stanley Orme, the Stormont Minister of State, was suggesting that such a meeting was on the cards.

In Dublin just now, however, the suggestion tends to evoke little more than an uncomfortable laugh around Leinster House. Civil servants tell you all the British idea anyway and that "just at the moment" such things are far from the minds of Irish ministers. Then they point out, ever so gently, that the Dublin Government really are not very happy with current British policy in the north, with the lack of information about it—and most important of all—with the behaviour of the British Army. The unpalatable truth is that relations between the two countries are at times something less than lukewarm and they are getting steadily cooler.

On several occasions, during the past few weeks, with no overt diplomatic fuss by either side, Mr Donald O'Sullivan, the Irish Ambassador in London, has informed the British Foreign Office of his Government's concern at the Army's activities in the north. However much truth there may be in the suspicion, the Irish believe that Mr Merlyn Rees, the Secretary of State, is being pressured by General King to continue internment without trial and the British troops have subsequently been given free rein in their search-and-arrest operations. Reports reaching the Irish Government have suggested to them that the British Army is once again alienating the Roman Catholic community by rough treatment and by interrogation methods which go some way beyond the question and answer technique.

### Calls from the public complaining about the shooting

Things came to a head last week when Mr Patrick McElhone, a Catholic, was shot dead in Co Tyrone after being taken from his home by the Army.

A soldier has since been charged with Mr McElhone's murder and so the incident itself is sub-judice. In Dublin, however, one government department alone received over 100 calls from the Irish public complaining about the shooting which eventually prompted the authorities to send Mr O'Sullivan round to the Foreign Office once again, to draw British attention to Irish ministerial concern. Against some officials' better judgment, the coalition government chose not to make any public statement.

The authorities here are still pressing on with their plans for a system of extra-territorial

courts for Ireland, the only flesh still left over from the skeleton of the now defunct Sunningdale Agreement. Dr Garret FitzGerald, the Irish Foreign Minister, insists that the relevant legislation will be introduced in the next session of the Dail and the British hope to push the necessary laws through the House of Commons in the autumn. But even the chances of setting up the new court system, which would mean that an IRA man charged with murdering a British soldier could be arrested, tried and judged in the Republic, are thrown into some doubt by the continued distrust which the Irish feel over British intentions.

This has not been helped by a number of border incidents in recent weeks. A report has been sent to the Irish Government by the Garda, for example, on a small riot last month when British troops fired rubber bullets into Co Leitrim while trying to block an unimproved road over the frontier. There have been other similar incidents while soldiers were trying to seal off roads which they believe were used by the IRA.

### Unhappiness in Dublin towards British efforts

During a recent gun battle in Armagh, an Irish police car on the Republic side of the border had its windshield shattered by bullets. Regretting the shooting, the British military authorities said they were not certain if IRA or British bullets had hit the Garda car, but the Irish police report says they were almost certainly British.

Relations between the Irish police and the British Army have never been over-friendly since a much earlier incident in Co Louth when British soldiers who had mistakenly chased some IRA men right into the Irish Republic, rounded on the two Irish policemen who turned up and, according to both the Garda and the customs authorities—threatened to kill the police unless they walked away with their hands in the air.

This is just the background to the current unhappiness in Dublin towards British efforts in the north. Ministers here are asking more fundamental questions. Is Mr Rees really capable of understanding not only pressure from the army but from the "loyalists" too? His impotence when faced with the Protestant strike in May has now been compounded in the eyes of some Irish Cabinet members here by his apparent inability to deal with the frightening growth of the new and unofficial loyalist Home Guard in Ulster.

The Government's White Paper has been found to contain no firm guidelines for the future aside from vague assertions about the special relationship between north and south. This relationship itself is now being questioned quite seriously in Dublin and proposed conferences about security are not the least of the things in the melting pot.

Robert Fisk

## How Britain could pay now to buy later

Concluding an assessment of Britain's economic future

**'If we now begin to make a planned cut, we can escape with small irritations rather than a major disaster. If we accept bigger initial cutbacks to boost investment there will be more growth potential later'**

As my first article on Tuesday showed, the arithmetic of Britain's economic future requires that we shift about 10 per cent of our consumption into exports, or reduced imports, or some combination of the two. The only alternative is to go on borrowing until our creditors lose confidence, call in their loans suddenly, and compel a much harsher adjustment.

Yet if we now begin to make a planned cut, we can escape with small irritations rather than major disaster. Such a switch of employed resources, away from boosting our living standards and towards meeting our debts, is not a slump and does not require deflation. It can be phased, perhaps over two years. If we accept initial cutbacks to boost investment, there will be more growth potential later and subsequent cutbacks can be smaller.

Nor must a fall in living standards mean consuming less of what we really need; it can mean deferring replacements of cars or household goods, driving more slowly and consuming less petrol, working more, or doing without pseudo investments (really conspicuous public or company consumption) whose yields are too small or remote to meet present need—Channels, Concorde, marinas.

Not only is a fair, gradual, planned and temporary 10 per cent cut in living standards a benefit exports or replace imports manageable. It would be well under way had not Mr Barber doubled the money supply during his term of office. To increase from September 1971 to December 1973 alone, at 24.6 per cent yearly, while output grew at about 4.2 per cent.

This discrepancy might have been mopped up by domestic price increases at 20 per cent yearly, but controls held these back, while foreign loans kept the pound "strong" and imports artificially cheap and attractive. Hence much of the spare money went, and still goes, into imports despite their soaring prices.

The regulation of campaign financing, has been given first priority, although critics have warned that an attempt to prevent future abuses like Watergate could have unpredictable and unsettling consequences for the political parties. Professor Ralph Winter of the Yale Law School said that an earlier attempt, the 1971 Federal Election Campaign Act, was in part unconstitutional. Limits on campaign contributions could also violate the First Amendment guarantee of freedom of speech.

Nevertheless, more would have to be done even if the Campaign to Re-elect the President had been run in combined churches. In recent years 90 per cent of campaign contributions have come from 1 per cent of the electorate: the corporations, unions, and "fat cats" who represent special interests. All wanted to influence government policy, and in most cases they succeeded.

The reason is obvious enough. Because of the high cost of television commercials, the primary election system, and the length of American campaigns, the total bill for a presidential campaign can be anything between \$50 million and \$100 million. Nobody knows how much it will be because the direction of a campaign can be divided between many committees to make accurate accounting impossible.

Another proposed reform, to separate the Justice Department from the Administration and make the Attorney-General independent, did not get off the ground. It would almost certainly require constitutional amendment, and in any case respected lawyers agree that a mixture of politics, in the highest sense, and law is inevitable and desirable in the Attorney-General's office. A second proposal to make permanent the office of the Federal prosecutor has the support of Senator Sam Ervin, and just might be accepted.

These reforms are unlikely to affect President Gerald Ford, even if he seeks election in 1976. What concerns some Americans is his declared intention of improving relations with the White House and Congress. After Watergate, the consensus is that the White House must be stripped of some of the power it has accumulated over the years to ensure that the constitutional checks and balances will long before Watergate, but Presidents persuaded themselves that they were im-

perious to the workings of Washington fear that this could lead to executive and legislative paralysis. Indeed, to avoid this paralysis was the main reason why modern Presidents successively assumed more and more authority. The dangers were apparent long before Watergate, but Presidents persuaded themselves that they were im-

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such as the National Union of Mineworkers and the British Medical Association, but also the thoughtful militants within such bodies. Let me examine the policy implications of each principle in turn.

1. No cuts in genuinely productive investment. Selective investment allowances appear compatible with the Treaty of Rome; so, surely, is a sensible redefinition of "investment". Retraining for specific scarce skills yields output quickly, and should be counted as investment, but shifting production into newly built offices, railway stations or even, sometimes, factories is often pseudo investment that does nothing for growth. Some guaranteed "floor" for genuine investment is needed to retain confidence; merely stating that the intention is to shift resources from consumption to exports and not to depress total output, may not in the present climate suffice to keep up the willingness of private and nationalized industry to invest.

2. Consumption cuts geared to balance of payments gain: Lack of detailed micro-economic policy—as opposed to wishful macro-economic "fine tuning"—is the bane of British economic management. Hence the incredibly wasteful tradition of curbing balance of payments deficits by deflating total GNP, creating unemployment, and hoping that much less income will mean a little

less imports. The alternative is to ask where reduced consumption can free capacity for exports, and can directly save imports. The second question is easier. Oil imports are an obvious target. Why is British petrol much cheaper than almost anywhere else in Europe though our payments problem is much worse? Scandalously, we have ended the 50 mph speed limit. We do almost nothing to save petrol by staggering working hours to reduce congestion, by making local authority improvement grants available for house insulation, or by almost any other means. In other areas of rapid import expansion, both consumption cuts and production rises could be induced by appropriate policies: subsidizing farm investment rather than bread-eating (cereal imports trebled in value between the first quarters of 1972 and 1974, to a rate of £576m yearly); more emphasis on domestic substitutes for wood and cork (in the same period such imports also trebled, to £557m); and so forth.

3. Export promotion to non-deficit areas: Where to cut consumption to make room for exports is a hard question to answer. Businessmen and politicians agree that British exports offer splendid value; customers seem to differ. Perhaps it is because, with particular goods aimed at a particular market, booming British demand ensures they

are not available for export at the right time and price. The cure has to be micro-policy, not general deflation of British demand for all products. We need to know, not just what we are consuming, but what we are exporting, but to whom; for, if a world trade war is to be avoided, it is essential that we solve our balance of payments problems socially, by selling to those who can safely buy. Our trade deficit with the main rich surplus countries—the United States, West Germany and the Netherlands—in April, 1974 was running at a yearly rate of £2,086m; with our major oil suppliers, mostly Kuwait, Bahrain, Qatar, the Emirates, Nigeria, Libya and Saudi Arabia at £3,253m; and with the Soviet Union and Eastern Europe, at £334m. On these countries our export promotion, our import reduction, and our consumption-cutting for both purposes should be concentrated. The more of all three that can be done by international agreement, the better; but it is a world interest to agree. Otherwise the collapsing institution that starts up the slump in the late 1970s—may be not a bank but the British economy, unable to meet its debts.

4. A phased plan for recovery. Talk of a 10 per cent cut in living standards seems doable (though the alternative is far worse), partly because people confuse it with slump and unemployment, and partly because it seems so irrevocable. Actually it can be made up in three or four years, if growth—less if we invest more in the early years. As soon as the necessary cuts and controls are announced, the Government should state—and date—its plans to restore them, and announce the subsequent publication of the balance of payments (the balance between public and private sectors here is a matter of political choice).

5. A fair division of the burdens. It looks as if the strong and greedy—some poor, many more—will obtain real income increases this year. That means that others must cut their consumption by more yet the present Government has gone far to offer the trade unions real income redistribution, and in return has achieved at least

verbal, adherence to policies of income restraint by some of the union leaders. However, it has to be seen how the public will react—let alone how much harsher policies than these will be needed if these are adopted in time—can be implemented without a complete incomes policy.

I can think of two cases of making that acceptable which means convincing many, not just leaders of unions, yet without destroying their confidence. One is a gimmick: but an honest one: that 500 or 1,000 paid people near the top of the structure (ministers, company directors, permanent secretaries, maybe archbishops and vice-chancellors) accept a cut of 10 per cent in their post-tax income for three years. The second is more basic: that the Government offer a phased, if needed scale of real income increases, substantially above likely real growth rates, to groups of people generally agreed to be poor, or too ill-rewarded by the national income. Such people could include the mentally ill, disabled, and working widows, large families, among the poor, and perhaps just men and women in the "ill-rewarded".

The present Government right in believing that a contract is needed to incomes policy work; by believing that a social pact can replace an incomes policy, especially and strain on Britain in the next three years.

As a mere economist I do not believe that the people are too bloody-minded to undertake a shared programme, if only they told the truth in time. They are not—and have to be—standards by 25 per cent needed and random instead of by 10 per cent in brief, but a real and adjustment—the British will, however, become bloody-minded indeed.

Michael I. The author is Prof. Fellow at the Institute of Development Studies, Sussex.

## Congress may be content to retain separation of powers



involved than constitutional limits. The President is the leader of his party, but there is no party discipline. He cannot assume the loyalty of his own congressmen. In Mr Ford's case, of course, the leadership in both Houses, the Democrats, the opposing party.

All congressmen have their own concerns and priorities, which are not necessarily those of the President. The committee chairmen also have the power to delay and oppose legislation. Generally speaking, Congress can only be made to act against its own divided will and inertia by the pressure of consensus led or organized by the President. Apart from his war powers, this explains the immense authority which Mr Nixon abused.

Something must be done to redress the balance, but it will not be sufficient for President Ford to meet with congressional leaders regularly, to keep them informed and sweet. Sooner or later there will be a clash of interests, and compromise could once again delay or gut a programme. Even though he has spent a quarter of a century in Congress, where he has many friends, Mr Ford will almost certainly be forced to seek the extra powers his predecessors found necessary.

The only alternative, as some see it, is major institutional reform. At present, the President nominates the members of his

Cabinet from outside Congress. If a congressman is not confirmed, he is not confirmed. One is in that in future all Cabinet should be congressmen would be allowed to resign, the leadership in both Houses, the Democrats, the opposing party.

Westminster inspired proposal, but it would necessarily resolve the power of the President. The power of the President would remain unchanged. Under Mr Ford, members of the Cabinet belong to the President, and the conduct of the President would remain in the hands of an opposing leadership.

Moreover, the proposal would offend the constitutional amendment of power, unless it is modified by constitutional amendment. This is unlikely. The American people are not likely to be further enticed by the gate experience. If a between presidential and congressional powers had blurred, it is doubtful if Congress could have played in investigating Watergate. Congress would also have to accept any discipline, it strengthened Congress body.

This is President dilemma, and it may insoluble.

Louis I.

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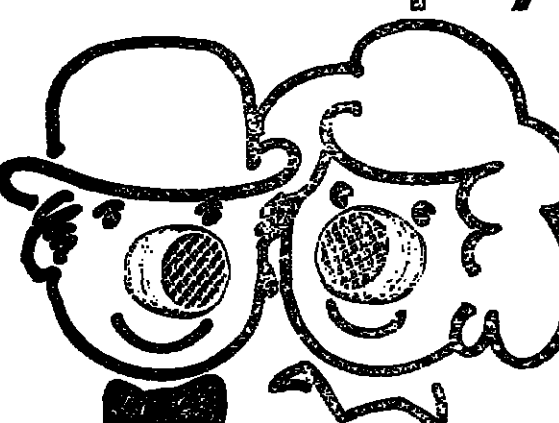
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## At work, home and play



put on a happy face And enjoy the air you breathe

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The ventilation your electrical dealer recommends

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Whatever the bad news, there are always people hard at work trying to put a brighter and more glamorous face on things. To see who goes into it, they reporter went to watch the auditions for the Ziegfeld Follies, which are to be revived in London later this year. Sadly the scene at the Adelphi Theatre was suggestive of anything but the glamour that men of the Follies is supposed to evoke.

A group of women in their twenties and thirties were lined up on ugly chairs in the grimy wings, waiting for their names to be called. Some were too anxious to do anything but clutch their knees and look miserable. A few of them chatted together, comparing notes on unpleasant auditions. That morning director David Toguri and angels Ian Trotter and Frank McKay were looking for "New Ziegfeld girls" whose function it is to parade around in elaborate and expensive clothes for the show. The advertisement called for tall and intelligent girls. All were asked their height, but there was no further mention of intelligence.

Toguri shouted directions: "That's right Angie, just go to the black cloth at the back, walk down and give us a million dollar smile. That's beautiful sweetie. Tell me, how tall are you? Do you belong to Equity?"

Angie, in high red boots and a brief bikini, blinked over the footlights towards his disembodied voice in the darkened auditorium and said she had worked for Bluebell in Barcelona. "That's marvellous fishnet," chirruped Toguri.

The hopefuls nobody liked were rushed through a few dance steps, the million dollar smile routine and then hustled

## The Times Diary

### On the hunt for luscious lovelies

offstage. One of them, in tight and fishnet stockings, said she came from a club. "She can go back there," mumbled Ian Trotter. He was inclined to acidity, perhaps because he has half a million pounds invested in the show. No smile could quite match it. Backstage, the few still waiting to appear looked even more anxious. "I think we're the ones who don't have to dance. And I've been a showgirl too. But the longer I'm in the business the more I hate auditions. I usually look as if I've never been on a stage in my life."

Joy Rogers had just returned to London after 10 years in Las Vegas. "I was a dancer there until they changed the heights. And I've been a showgirl too. But the longer I'm in the business the more I hate auditions. I usually look as if I've never been on a stage in my life."

One girl came off stage with a broad smile instead of the usual wan grin. She said her name was Corintha and she had come for a laugh. "I don't want the job," she had worked for a photographer and been involved with fringe theatre but this was her first audition. As evidence of her inexperience she arrived in shorts instead of the tight specified in the advertisement. "I think it's hilarious. There must be more to life than standing around in a pair of fishnet tights. It's so old-fashioned."

The last girl limped on stage. She had been asked to return to be looked over a second time, but meanwhile

had fallen downstairs and bruised a leg. She was advised to come back a week later. Take an escalator," yelled McKay.

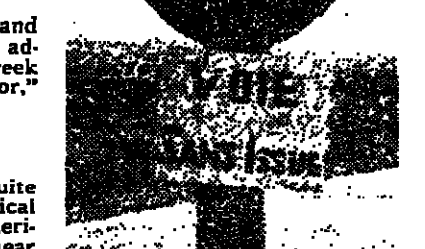
### Politics afloat

Far from having heard quite enough about their political system for a long time, Americans are willing to pay to hear yet more. An American shipping line offering a one week "Inside Washington" cruise to Nassau and Bermuda this winter already has 400 customers.

Many are retired businessmen and women, and they are paying up to \$626 to hear political notables such as Senator Hubert Humphrey, Pierre Salinger and William Safire, a former speechwriter for Nixon, on their opinions on America's political and economic problems.

Watergate sparked off the idea for the cruise, and Nixon's resignation caused a sudden rush of bookings. The publicity around the event attracted attention to the cruise itself," said a spokesman cheerfully.

Those on board who have political ambitions of their own can pay an extra \$75 to attend seminars on "Running for the Presidency", "Living in the White House" and "Taxes". For those who want to get away from it all, on the other hand, the same company offers a world cruise during which passengers can go ashore in China to watch acupuncture



Today's road sign, photographed in North-West France by A. N. Black of Eastleigh, raises the question of how the stretch of road can ever be used at all.

### Launch

Yesterday, looking not a little uneasy, Lady Templer stood upon a pontoon moored to HMS Belfast and launched one of the three inflatable craft that will slide, bob and bubble down the Zaire River and its uncharted rapids in September. It was an unorthodox launching.

For one thing, Lady Templer was not able to break the bottle over the bows of the craft because it did not have bows. Instead she poured the champagne over the boat. Another difficulty was that nobody could hear what Lady Templer was saying, not even the Royal Marine bugler who was standing two smart steps from her and who marked the launching with tasteful blasts from E-flat trumpets. Field

Marshal Sir Gerald Templer moved the microphone nearer his wife's mouth, to no avail. The mike was not working.

One of the main reasons for the expedition—which will be manned by 140 soldiers and scientists from many parts of the world—is to find a cure for river blindness which affects 20 million Africans.

A nurse, 25-year-old Pam Baker, who will go on the three boats with 40 of the men, said yesterday that she was looking forward to getting back to the wilds, though she was not enthusiastic about having to pay £250 for the privilege. "I'm looking for a sponsor," she said. "If I could find one I'd have his name tattooed across my chest."

Our hamburger survey, which will continue tomorrow, under-predicted the British Whimpy. The standard model costs 18p, not 19p, and whatever Norman Whimpy thought of the taste, it was acceptable to the British. That it is a pure beef product with no cereal filling.

### Gaels' gall

Gaelic language organizations in Scotland are aggrieved at BBC Scotland's recent decision to move their Gaelic broadcasts to VHF instead of the Radio 4 medium wave. Communism na Canain Albannach, a Scottish Language Society modelled on the Welsh example, claims that most wireless sets in the Glasgow and West of Scotland areas cannot receive VHF, and that many thousands of Gaelic speakers have thus been deprived of their programmes.

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## JRKISH AGGRESSION

question we asked in our article yesterday, "What rky up to?" was all too ly and brutally answered. it any rate the last forty-ours the Turks were y using the Geneva Con- as little more than a escreen for their military rations. By Tuesday morn- latest they must have oned hope of achieving aims in Cyprus by negotia- determined on a further y thrust.

Thrust has been presented apply an extension of the al invasion launched in 1960, when the world at large d that Turkey was acting her rights as a guarantor p-riod independence under eary of 1960. But the Turks t not be surprised to find he attitude of the world at y ent. On July 20 Cyprus was the effective control of fier Ioannides in Athens, nder the nominal authority e Enosis gangster Nicos on. The Western powers red ready to accept this ion with nothing more than protests—scarcely even in the case of the United Liberals everywhere (ing some Greek and Greek ot liberals) greeted the sh invasion almost with because it meant that the Colonels would not after away with it.

re then almost everything anged. The Greek military e has been replaced by Mr anilis's government, and ampon by Mr Clerides. changes were welcomed at me by the Turkish govern- a conference was assem- at Geneva embracing first arantor powers, then the e of both Cypriot communi- s well. Mr Clerides was t and trusted by Mr ash, and there seemed a chance that after much hard nking they would succeed rking out a constitutional ent acceptable to both.

Such a settlement would ly have given the Turkish s much greater autonomy erty than the Constitu- f 1960, and this would have een both in Turkey and d as a legitimate achieve- of the Turkish invasion. self-evidently such a settle- needed time. Turkish fears eek procrastination would again cheat the Turkish ots of their rights were ps understandable, but t exaggerated. The Turks

surely failed to appreciate the genuine delicacy of their opponents' political task, which was to make concessions after a defeat seem acceptable to wounded national pride. No doubt the Turkish government was also under strong pressure from its own public opinion to produce quick results.

Whatever their motivation, the Turks have thrown away one of the best chances of achieving a genuine reconciliation between Greeks and Turks that there has been for decades. (Mr Callaghan yesterday made that point with understandable disappointment after his own constructive efforts had been so ill-rewarded.) In the process the Turks have also done serious damage to the Atlantic Alliance, and they have made themselves, in the eyes of the world, the deliberate violators of the independence and territorial integrity of a neighbouring sovereign state.

The most immediate political result was the Greek decision to withdraw from the military organization of Nato, while remaining within the political alliance. This decision was clearly modelled on the move made by General de Gaulle in 1966. If matters go no further the Alliance can live with it, since though it may affect Nato's tactical coherence it does not affect the area or the total strength of the forces which it controls.

But will matters go no further? The Greek government must certainly be very reluctant to embark on an all-out war with Turkey which it would be virtually certain to lose. But if the alternative is to accept passively a Turkish fait accompli on Cyprus, war may be Mr Karamanlis's only hope of political survival; and he may calculate as the Arabs did in their conflict with Israel, that only by escalating the conflict can he oblige the great powers to intervene and redress the local imbalance of power.

It would obviously be much preferable if the great powers could obviate the need for unilateral action by Greece, by taking effective action against Turkey themselves. (Just as it would have been much preferable a month ago if the great powers had obviated the need for a Turkish invasion of Cyprus by taking effective action against Greece.) By "the great powers" in this context one means essentially the United States, which is the main arms-supplier and economic patron of both Greece

and Turkey. By "effective action" one does not mean American military intervention, which would probably do more harm than good internationally even if it were acceptable domestically. If Turkey were to become so dangerously contemptuous of international order as to make military action against it the only recourse, then probably such action would have to be taken in the name of the United Nations. But happily that stage has not been reached.

The sanctions which the United States and the rest of the international community should apply at this stage are of various kinds. First Turkey should be told that if she does not immediately accept the ceasefire proposed by the UN Security Council she will be regarded as the aggressor and will be denied any supplies of arms or spare parts so long as her troops remain in Cyprus.

That in itself may not be a very effective deterrent, since the Turks probably calculate that they can reach their military objectives in Cyprus before any need for military re-supply arises. But the same might not be true in an all-out war with Greece; and the Turks may not find it so easy to stop at the "Atila line" as they suppose, since that would leave large numbers of Turkish Cypriots in the south of the island exposed to the inevitable wrath of their Greek compatriots.

Secondly, it must be made quite clear to the Turks that there is no question of their obtaining international recognition for any kind of *de facto* partition of Cyprus, still less for the annexation of it. It must be pointed out to them that whatever their military position when the fighting stops, they will still have to negotiate a settlement with the Greeks and the Greek Cypriots, and they must be told that international support for the rights of the Greek Cypriots (including the right to the independence and unity of their country) will not be changed by any Turkish military victory.

In the last resort the threat that faces Turkey is that of becoming an international outcast. It is not a threat which Nato can make unilaterally, since it would be disastrous to force Turkey into the arms of the Soviet Union. But the Soviet Union, too, supports the independence and integrity of Cyprus, and on this issue the international community could well be united.

## Decision-making in the EEC

From Lord Greenhill of Harrow  
Sir, As one would expect, Mr Ronald Grierson's article on the European Community (August 13) is realistic and sensible. I agree with him that a "Europe des Patries" is probably the only feasible concept at this stage. But what can best hasten the process by which, as Mr Grierson says, "governments will gradually... persuade themselves and each other of the merits of collaborative solutions to common problems and of the sacrifices needed to achieve these?"

The answer is that the leaders of the Nine should meet monthly confidentially in British cabinet style supported by a necessarily small secretariat.

My experience suggests that inter-territorial summits *à deux* seldom get to the heart of any matter and more often than not create suspicion and jealousy among the non-participants. Only by sustained collective discussion at the top level over a period of years can we establish the understanding and confidence which will lead to the creation of the sort of Europe from which we can all benefit. This suggested additional machinery could only improve the working of the existing set-up in Brussels.

Yours faithfully,  
DENIS GREENHILL,  
25 Hamilton House,  
Vicarage Gate, W8.  
August 13.

From Mr Neil Marten, Conservative MP for Banbury  
Sir, Ronald Grierson, in his critical analysis of the Common Market, overlooked one reason why it fails. In the first half of 1974 the Common Market was effectively stagnant over a wide front. In February there was the British election, in March the Belgian election, in April the death of the French President, and in May the resignation of the German Chancellor. During this period of intense crisis in the world major decisions in the Common Market were delayed while individual nations sorted out their own politics.

For example, when the Finance Ministers met in June, it was their first meeting for four months—and that during a period of major economic crisis! This surely illustrates the absurdity of the *modus operandi* of the Common Market.

And, now, for all of August, its

staff has gone on holiday. In September/October a British election is likely to cause further stagnation until the outcome is known. And by then it is probable that the Italians will be suffering from a further bout of political turmoil.

In circumstances of such *opéra bouffe* it is hardly likely that the Common Market can be taken very seriously. Further, even if it does get going again in October, British statesmen will be hamstrung by the failure of Parliament to debate important matters referred to it by the Scrutiny Committee.

The only way in which the Common Market could ever begin to work with any efficiency is if the Nine countries integrate into one with fully-fledged European Government—in other words, as a federal state with the present member states reduced to provinces within that state.

The sooner this is realized the better. It is time that the jargon of double-act ended. Those who supported political, economic and monetary union by 1980 (as expressed at the Summit Meetings) should stop obfuscating—particularly over the meaning of "political union". To shroud this objective in concealed double-talk is to mislead the public.

The question is this—is the Common Market to develop along the road towards a federal state or is it to be a group of countries cooperating rather like the Commonwealth? There is no effective middle way.

The British people are entitled to know what aim leading politicians in each party have in mind. If it is a federal state then this goes right against the undertakings given at the time of entry—and the British people would be none the wiser if this should be made clear to all, including the other members of the Common Market.

In the latter case, as a show of bona fides, an improved version of the Luxembourg Agreement (commonly called the use of the veto) should be enshrined in the Treaty of Rome by means of a Protocol—then at least we shall begin to know down which road we were being steered.

Yours sincerely,  
NEIL MARTEN,  
House of Commons.  
August 12.

## Wealth tax proposals

From Mr John Wendon  
Sir, I fail to understand Mr Healey's redistributive intentions in proposing a Wealth Tax. Were I to own £150,000 of assets, then I would be taxed £120 annually in respect of these. If they are productive assets, the effect is simply an added levy on such income as I may derive from the assets; and accordingly it is income tax.

But if they are fixed assets such as a home, an endowment policy or a life insurance policy, then I service the tax on this wealth (whether immediately or on a postponed basis)? I could do so either out of income from another source and then again it is income tax, or I must do so by selling.

Suppose then that I must sell. Does the resulting cash diverted to Mr Healey accrue to the nation as a net addition to its disposable wealth? Does it remain wealth or is its redistribution in effect an increment to national expenditure—spent on pensions, housing subsidies, armed forces and so on, whatever? Then Mr Healey is proposing to use my capital as his income. But that must be wrong, for consumption must be financed out of income or the result is collective impoverishment, and Mr Healey cannot have that intention.

So alternatively, does Mr Healey mean that my wealth (1 per cent of it per annum) shall be channelled into a new pool of national capital? In that event the State must employ it more profitably than it was employed in my hands. I do have difficulty in visualizing how my house or my painting or indeed my rights to a pension in due course can be deployed more profitably.

But granted that the State can do that, then the result will certainly be not a more equal distribution of wealth, but its concentration and monopolization by the State. A monopoly capitalist is also a monopoly employer, a political gentleman who knows more about plausibility than about investment or work. Do we want that? Vote for him one day and strike against him the next?

One more thought. One per cent per year isn't very much. But surely, over 40 working years that 1 per cent at compound means the lot? So Mr Healey can at least spare him the trouble in reforming Estate Duty into a Capital Transfer Tax. There'll be nothing above £100,000 to transfer.

Yours faithfully,  
JOHN WENDON,  
33 New Road,  
Barton,  
Cambridge.  
August 11.

## Television and crime

From Mr Milton Shulman  
Sir, While Mr Denis Forman (letter August 8) belittles the simplistic use of statistics to establish a link between TV and violent crime in the United Kingdom, he offers as an alternative explanation for our rising crimes of violence, wild generalizations about the prevalence of violence in Africa, Latin America, Northern Ireland and Vietnam.

To answer a statistical case with speculation, surmise and no statistics or facts of any kind is hardly the way to win an argument.

The fact is that countries that provide a large amount of TV violence, ie, Britain, America, Canada, show a consistent pattern of rising violence among the young. Countries that do not provide such a steady diet of violent TV programmes may show some rise in youthful violence, but nothing like the drastic escalation in the countries I have mentioned.

I challenge Mr Forman to produce one single country not involved in violent political strife, ie, Ulster, Luxembourg, Chateau de Dreilhorn, St Martin, made by the *midnight Champagne*, is available in many shops and restaurants, geographically and in taste nearest to Cham-

arguments and stonewalling tactics were used by his American counterparts when they presented their evidence to the Surgeon General's Advisory Committee. But after spending one million dollars and sifting through three years of research and five volumes of technical reports, the committee decisively rejected Mr Forman's case by finding a positive and meaningful link between TV violence and social violence.

Said Senator Pastore, Chairman of the Senate Committee that received the Surgeon General's report: "We now know there is a causal relation between televised parable speeds and indeed splendid mechanical reliability, only consumes 20 per cent more oil than QE2, not twice as much."

However, the encouraging fact is clear that there are still plenty of people willing to travel by sea and I hope the QE2 will long continue to attract and bring pleasure to her passengers and success to her owners.

Yours faithfully,  
GUY RICHER,  
Managing Director,  
French Line (UK),  
20 Cockspur Street, SW1,  
August 6.

## Luxembourg wines

From Mr Fritz Hallgarten  
Sir, Re The Times Saturday Review of August 10, Section "Drink".

To keep the records straight: Luxembourg wines were first introduced into this country about 1900, but before your Correspondent Pamela Vandyke Price was born.

Messrs B. M. & J. Strauss had imported a Remich for many decades, when in 1935, I started to offer a full range of Luxembourg Moselles in an endeavour to boycott Nazi Germany. One of my important customers, The International Exhibition Wine Society, sold a Remich with site name to its members at £1 6s (equal to £1.30) per dozen bottles to its members, my price to them, duty paid delivered was £1 2s 1d.

Luxembourg wines were again imported after the war and have been imported ever since. Spelling Luxembourg, Chateau de Dreilhorn, St Martin, made by the *midnight Champagne*, is available in many shops and restaurants, geographically and in taste nearest to Cham-

pagne. The approximate price is £1.75 per bottle.

I would like to mention that I have not any commercial interest in the wine trade any more.

Yours faithfully,  
S. F. HALLGARTEN,  
20 Bracknell Gardens, NW3.  
August 10.

## Statutory lie

From Mr Austen Spearing  
Sir, The Reverend Mark Ruston (August 8) offers sound advice for those of his impeccable status who are asked to give an unconditional receipt in advance of the money.

We lesser mortals can protect ourselves by inserting the words "by cheque" after "received". Absolute proof of payment would then require production of the cleared cheque as well as our qualified form of receipt. (It would also save work and postage.)

Yours faithfully,  
AUSTEN SPEARING,  
4 High Street,  
Foxton,  
Royston.

## Ulster's voice at Westminster

From Lord Brookeborough, Unionist Member for North Down, Northern Ireland Assembly  
Sir, The recent controversy surrounding the position of the 11 Ulster Unionist Members, and whether or not the Conservative Party has made overtures to them has two important facets.

It is not important that Mr Heath should choose to talk to the Ulster Unionists who do, after all, represent a viewpoint. Mr Heath and indeed Mr Kees are right to talk to the Ulster Unionists. Both are probably aware that the next election could easily be as indecisive as the election on February 28 and, consequently, realize that as many doors as possible should be opened.

The controversy, however, has served to highlight the fact that Ulster is grossly under-represented at Westminster, and this was acknowledged by the Kilbrandon Commission. Compared with Scotland, Northern Ireland is grossly under-represented. A Northern Ireland election is almost 100% less represented than one in Scotland.

This abuse could, in times past, have been excused because Ulster had a devolved legislature. This is no longer the case, and we are unlikely to have one for a considerable period of time. The destruction of the Executive and the prorogation of the Assembly has produced an almost colonial style of government in Northern Ireland. The people of Ulster have no influence or very little influence, in the vital decisions affecting their future, especially taxation.

It is inexcusable that Mr Wilson should use Ulster's under-representation which is a denial of a basic civil right, as a vote-catching political gambit for the Irish voters in the English constituencies.

The rumours that more Ulster

seats are available in return for support in the lobbies and not as a matter of justice, I find wrong. If the rumours are correct, then a dangerous precedent will have been set. Representation in the Mother of Parliaments will have become a pawn in the power game, and the prestige and influence of Parliament seriously undermined.

Yours faithfully,  
BROOKEBOROUGH,  
Northern Ireland Assembly,  
Ashbrooke,  
Brookeborough,  
Co Fermanagh,  
August 13.

From Mr A. Edwin D. Fleming  
Sir, Mr Chris Gent (August 10) condemns gerrymandering by Unionists in Northern Ireland—a practice which ended years ago. How then can he justify his objection to giving Northern Ireland representation at Westminster on the same basis as England, Scotland and Wales? Is gerrymandering all right if organized by Westminster?

In the 1974 General Election the United Unionists won 11 out of 12 seats based on boundaries drawn by the Westminster Boundary Commission. The political leaders at Westminster deserve some more constructive advice from the Young Conservatives of Greater London (of which Mr Gent is Chairman) than that they should (1) deny the people of Northern Ireland their due number of seats at Westminster, and (2) that they should ignore the representatives elected from the Province because they express the feelings of the people who elected them.

Yours faithfully,  
A. EDWIN D. FLEMING,  
30 Whirlowdale Crescent,  
Sheffield.  
August 10.

## HMSO printing dispute

From Mr Frank Davey  
Sir, Mr Nicholas Levison (*The Times*, August 13, comments on the availability of the Wealth Tax, Green Paper and the Capital Transfer Tax White Paper, while the Finance Act 1974, which came into force on receiving Royal Assent on July 31, is not yet published.

The effects of HMSO's printing dispute are substantially confined to our own presses. In consequence publications, including Acts of Parliament such as the Finance Act, which are normally printed at those works, cannot be published while the dispute continues. However, two-thirds of HMSO's printing, including Green and White Papers, is placed with private contractors. Their publication therefore remains so unaffected.

HMSO sensibly attempt to transfer to private firms work such as the printing of Acts, which our presses normally do, since the predictable consequence would add to the difficulty of reaching a settlement. HMSO is acutely conscious of the difficulties and inconvenience to the public created by the present situation and is doing its utmost to get its presses back to work.

Yours faithfully,  
FRANK DAVEY,  
Head of Publishing,  
HM Stationery Office,  
Atlantic House,  
Holborn Viaduct, EC1.  
August 14.

## Radiographers' claim

From Mr R. A. Bird  
Sir, I refer to your leader "Medical Militancy" (August 7). One fact needs to be put straight right away.

The Association of Scientific, Technical and Managerial Staffs represents largely to the efforts of proportion of radiographers and we have never agreed the radiographers' claim go to Lord Halsbury. For that matter neither has the committee negotiating the claim (PTA "D")—in Whitley Council (jargon) and there have never been any negotiations about problems under discussion since 1969 and the subject of a specific claim in April of this year.

Management abdicated from their responsibilities and passed the buck to Lord Halsbury—but it will not do. Radiographers have had 30 years of somebody else's handouts, usually during the same heroic and scandalously low pay now recognized by the minister as the result of this. Only real collective bargaining and acceptable agreements reached as between equals can put this right. The handout days are going, and not before time.

Yours sincerely,  
A. BIRD, National Officer,  
ASTMS,  
10-26A Jamestown Road, NW1.

## The Panovs in Britain

From Mr B. A. Young  
Sir, Since Mr and Mrs Panov are guests in this country, and owe their presence largely to the efforts of this country's citizens, would it not be more courteous of them to refrain from taking part in political demonstrations? I have the honour to be, Sir, Your obedient servant,  
B. A. YOUNG,  
Flat 3,  
28 Elm Park Gardens,  
Chelsea, SW10.

## Royal Agricultural Hall

From Sir John Betjeman and others  
Sir, Readers of *The Times* will have learnt (July 25) that one of the great buildings of the nineteenth century, the Royal Agricultural Hall in Islington, is threatened with demolition. The "Aggie", as it became known to Londoners, was built in 1862 on the same heroic site as the Crystal Palace and St Pancras Station.

It has been the scene of an uncountable number of exhibitions, pageants, circuses and competitive events. In one occasion more than twenty thousand people teemed inside the Hall, "many hanging from the great galleries and piers", when John Stuart Mill addressed the Reform Movement. It was a vital focus of national life: the rumour of its demolition would have been a blow to the height of its powers and confidence passed through its doors and was caught vividly in a thousand pictures of that period.

It would be a very great tragedy, tantamount to an historical amnesia, if the Royal Agricultural Hall were to be razed from the London townscape. We urge those who would endorse our view that this must not happen to write their objection against the application for demolition to the Secretary of State for the Department of the Environment.

Yours faithfully,  
JOHN BETJEMAN,  
JOHN CASSON,  
NIKOLAUS FEVNER,  
JACK SIMMONS,  
BASIL SPENCE,  
As from 31 Amwell Street, EC1.

## The Lord's wicket

From Sir Harold Evans  
Sir, What hysteria about the leaping covers at Lord's! Cricket is a game designed to be played in the open air. Differing skills are required as weather conditions vary, that is the fascination of cricket. There should be no question of creating artificial conditions by covering wickets.

As to Derek Underwood, let us not tribute to a superbly skilful display of bowling in conditions that happened to suit him—which they rarely do.

Yours faithfully,  
HAROLD EVANS,  
3 Chalfonts Close,  
Kortingdon,  
Brighton, Sussex.

## E REGISTRAR GENERAL'S YO-YO

Registrar General's latest rly return confirms the sense of the population—those, that is, who from demanding a "popu-policy" in the United m. There have been many o successive governments to manipulate the future the population by seeking uence the birth rate. Mini- of both hues who have d in the subject have been l not to cause offence to so table a fashion, but they to their credit, refrained alling in with it.

grounds for scepticism p-incipally in the vicinity Maundling's nightmare for Secretaries, a policeman every bed. It is not just means of making effec- ch a policy only have to be to be disqualified in the society we envisage for res. Rather, knowledge future trends and about uses of fluctuations in y is not sufficient to permit actice of that variety of engineering.

Take trends. Ten years ago the Government Actuary and Registrars General for the United Kingdom estimated that the population at the end of the century would be 74,600,000. Yesterday the Office of Population Censuses and Surveys put out an estimate of 59,368,000. That is a drop of 15,000,000 people, the equivalent of Greater London twice, or almost one third of the present population of England. A policy of intervention would have disappeared into that chasm without trace.

Today's projection, which must be treated with the same respectful reserve as yesterday's, is of an almost static population during this decade, and a resumed moderate rate of increase through the next decade diminishing through the following two decades until in the year 2011 there would be about 4,750,000 more of us than there are now. If that is right, we have 37 years in which to cope with as many extra as we have just coped with in 17 years. Should be possible.

In modern Britain the quinquennial variations around replacement rate have been more frequent and less wide of it than in those nations which really do have a population problem. This means that we are in the enviable position of being able to afford to let the birth rate look after itself—enviable because of the difficulty of doing anything else. People who itch for the government to take a grip on population trends would saddle it with a far-reaching and quite unnecessary responsibility when it is having difficulty enough in discharging the necessary and pressing responsibilities it already has.

The population question within the United Kingdom should be classified for the purposes of political action with the weather. It is something you try to forecast, and as often as not get wrong; something you do not waste time trying to regulate, but to which you adapt arrangements and revise plans as the need arises.

## UNG DRUNKS

are many countries with alcohol problems than . But they are increasingly here, as yesterday's s of offences of drunken-ast year confirm. They an increase of 10 per cent st year, and an increase than 30 per cent in young under eighteen. Figures on convictions are never irectly accurate guide to the state of affairs, because spend on decisions by the whether or not to bring s, and so reflect attitudes differ over a period of id from place to place. But tistics fit in with the ins of workers in the field, ith the trend of other . Convictions in this cat-ive roughly doubled in the enty years, while drunken offences have been rising ore rapidly.

The most striking aspect of the figures is the rise in drunkenness among those under eighteen. The proportionate increase is of the same order as the increase in the number of boys aged fourteen to sixteen found guilty of indictable offences or cautioned in the same period. The fact that there are about seventeen offenders of that kind for every one who drinks too much says the alcohol problem in perspective, but it is natural to suppose that there is some association between the two. It is against the law for bars and off-licences to sell drink to anyone under eighteen, so that the chances are that most of these cases involve the obtaining of drink by illegal means. Earlier maturity, the waning authority of parents and teachers, and the shortcomings of penal policy are also relevant to juvenile drunkenness.

The main cause of the increase among young people is that they have more money these days.

Many sixteen-year-olds can pass for eighteen without much difficulty, and the spread of off-licences in the past few years has made it much easier to get hold of drink. If the trend continues it will be necessary to consider requiring stricter checks on age.

Even though most of them will get away with nothing worse than a headache, the more young people there are who experiment with drink too enthusiastically, the more alcoholics there are likely to be later on. It is the problem of the adult drinker who has entered the characteristic pattern of alcoholism that gives the most cause for concern.

Society still far from knowing how to cope with a disease that hundreds of thousands of people suffer from, and which today, years after it became official policy to provide "drying-out centres" for habitual offenders, is still too often treated by repeated and useless doses of imprisonment.

## hills and forests

fr Bryn Jones  
ow much more moorland, in and open hill country will lloved by the forestry in- before we cry halt? Three o I gathered blackberries on and lovely hillside in Shrop- recently acquired by the y Commission. Already the ave been planted in densely ead rows and soon the bil- the heather and the open

attractive aspect of the hillside will be lost for all time.

The same thing is happening across vast tracts of moorland and mountain within the Snowdonia National Park where I have walked for years. Farmhouses stand empty amidst an ugly alien landscape. The sheep have been ousted by conifers and the natural vegetation of the mountains destroyed in the dank gloom of the fir forests.

This irreparable loss of Britain's open high country is to be bitterly

regretted and not only by hill walkers such as myself. The depopulation of our high-lands has been hastened as hill-farmers give way to conifer plantations and the unique character of mountain and moor swamped in a monotonous, endless sea of fir. Will no one in authority end this wanton vandalism of our mountain landscape?

Yours sincerely,  
BRYN JONES,  
43 Redston Road, N8.  
August 13.







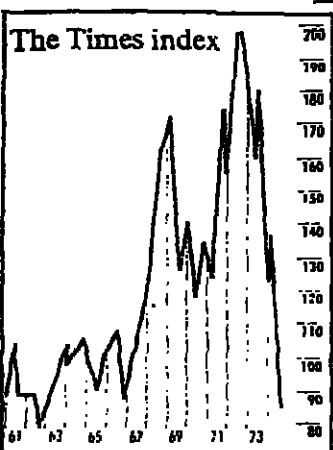
# THE TIMES

## BUSINESS NEWS



### Unilever's second quarter profits fall sparks fresh setback in share prices

Unilever's second quarter profits fell sharply, sparking a fresh setback in its share prices. The company's profits fell by 25 per cent on a 25 per cent increase in sales, while its share price fell by 10 pence to 214.5 pence. The company's share price had risen to 224.5 pence in the previous quarter.



The cost of raw materials used by the group's food companies remained 'exceptionally high' while the cost of chemicals and packaging materials continued to rise steeply. Profit margins were squeezed by price controls and there were 'heavy losses' in Austria and Italy.

Unilever said yesterday that its second quarter after showing a 31 per cent increase in the first quarter. The group said the profits setback was due to an 'exceptional combination of adverse factors'.

### France has second worst deficit of year

France has had a seasonally-adjusted foreign trading deficit amounting to 3,023m francs (more than £260m) in July, according to figures issued today by the Ministry of Economics.

### Lower tender from France gains order for Occidental oil platform

Government policies designed to secure a greater share of business for British contractors building offshore production platforms for the North Sea have received a severe jolt.

### Car industry exports may top imports by £1,000m

Exports by Britain's motor industry could top imports by nearly £1,000m this year, according to the latest forecasts.

### Ashbourne triumph over Eagle Star takeover panel

Ashbourne's new boardroom composition, headed by Crest Inter-Insurance, has finally triumphed over the takeover panel.

### Sunley cool over Eagle Star's move

Eagle Star Insurance, which withdrew its offer for Sunley Investment Trust and Groveview Securities earlier this year after a reference to the Monopolies Commission, has told Sunley that it wishes to formulate new offers.

### OPEC meeting aims to keep prices up

Attempts to coordinate pricing and sales strategies in order to maintain the present high oil prices will be made today when representatives of the national oil companies of the Organization of Petroleum Exporting Countries meet in London.

### Warning on oil hopes borrowing

Britain should think carefully before borrowing to finance oil exploration, says a paper published yesterday.

### State gas hunt in Irish Sea

The Gas Corporation has held a licence for the block since 1970. There is speculation that the Gas Corporation's drilling may produce an important find in view of the circumstances surrounding Gulf's earlier drilling.

### Keyser Ullmann puts £2m into Grendon Trust

Loss-making Grendon Trust has received a £2m cash injection from Keyser Ullmann, the merchant bank which assumed management control earlier this year.

### DAGGAFONTEIN MINES LIMITED

Interim Report for the half-year ended 30th June, 1974

The following are the unaudited results of the company for the half-year ended 30th June 1974 together with comparative figures for the half-year ended 30th June 1973 and the year ended 31st December 1973:

|                        | Half-year ended 30.6.74 | Half-year ended 30.6.73 | Year ended 31.12.73 |
|------------------------|-------------------------|-------------------------|---------------------|
| Revenue                | 15,000                  | 5,000                   | 12,000              |
| Cost of sales          | 8,000                   | 11,000                  | 20,000              |
| Profit before taxation | 7,000                   | (6,000)                 | (8,000)             |
| Taxation               | 2,000                   | 1,000                   | 2,000               |
| Profit after taxation  | 5,000                   | (7,000)                 | (10,000)            |
| Dividends              | 2,000                   | 1,000                   | 2,000               |
| Reserves               | 13,000                  | (8,000)                 | (12,000)            |

At the end of the half-year the company's cash and bank balances were £59,000, £55,000 and £74,000 respectively.

### Ford 'no change' spurs 16-point Wall St drop

From Frank Vogl Washington, Aug 14. Share prices have fallen to levels even below the levels reached when speculation started that Mr Nixon was about to resign.

### SOUTHVAAL HOLDINGS LIMITED

Interim Report for the half-year ended 30th June, 1974

The following are the unaudited results of the company for the half-year ended 30th June 1974 together with comparative figures for the half-year ended 30th June 1973 and the year ended 31st December 1973:

|                        | Half-year ended 30.6.74 | Half-year ended 30.6.73 | Year ended 31.12.73 |
|------------------------|-------------------------|-------------------------|---------------------|
| Revenue                | 406,000                 | 380,000                 | 775,000             |
| Cost of sales          | 47,000                  | 66,000                  | 112,000             |
| Profit before taxation | 359,000                 | 314,000                 | 663,000             |
| Taxation               | 145,000                 | 131,000                 | 271,000             |
| Profit after taxation  | 214,000                 | 183,000                 | 392,000             |

At the end of the half-year the company's cash and bank balances were £214,000, £183,000 and £392,000 respectively.

### 8,500 are laid off in disputes at British Leyland

By R. W. Shakespeare. More than 8,500 British Leyland workers were still laid off yesterday because of continuing labour disputes affecting four plants.

### How the markets moved

The Times index: 85.01 -3.88  
F.T. index: 214.3 -10.0

|                | Bank   | Bank   |
|----------------|--------|--------|
|                | buys   | sells  |
| Australia \$   | 1.645  | 1.650  |
| Belgium Fr     | 45.00  | 45.00  |
| Canada \$      | 95.50  | 92.75  |
| Denmark Kr     | 2.35   | 2.38   |
| France Fr      | 14.55  | 14.15  |
| Germany DM     | 8.95   | 8.70   |
| Greece Dr      | 11.50  | 11.20  |
| Italy Lr       | 6.30   | 6.10   |
| Japan Y        | 72.00  | 69.75  |
| Norway Kr      | 12.25  | 11.90  |
| Portugal Esc   | 165.00 | 157.00 |
| Spain Ptas     | 745.00 | 720.00 |
| Sweden Kr      | 6.45   | 6.25   |
| Switzerland Fr | 13.15  | 12.80  |
| US \$          | 62.50  | 58.75  |
| Yugoslavia Dnr | 1.94   | 1.86   |



## \$500m loan to World Bank from Venezuela

By Frank Vogl  
Washington, Aug 14

Venezuela has lent \$500m (about £212m) to the World Bank. This loan, the biggest made to the bank, brings its borrowing from oil-producing countries this year to \$1,500m, compared with less than \$100m all last year.

Mr Robert McNamara, president of the World Bank, said on signing the loan contract with the government-controlled Venezuelan Investment Fund: "This agreement is the second of what we expect to become a series of transactions."

The loan was at 8 per cent with an average maturity of 11 years. In March this year the World Bank arranged a loan for about \$23m with a consortium of Venezuelan banks.

Mr McNamara said recently he was pleased that loans from oil-producing countries would run at a rate of about \$2,500m a year in coming years. The increasing volume of money going into development aid from oil-producing countries, he said, has been expected by senior United States administration economists.

The conviction of the American Government now is that the oil producers will, to quote Mr William Simon, the treasury secretary, "manage their oil revenues in a conservative and responsible manner."

Part from placing funds through such organizations as the International Monetary Fund and the World Bank, the experts here are convinced that the oil producers may well increase their holdings of Government-issued securities in various countries.

## US coal to gas scheme being tried in Scotland

New York, Aug 14.—A coal-gasification project in Scotland financed by a group of United States concerns has begun delivering gas made from coal to several thousand Scottish families on a test basis.

The announcement was made by Continental Oil Co, which manages the project. A Conoco spokesman said up to 2.5 million cu ft a day of the fuel would be supplied to homes in the county of Fife for several weeks.

The Scottish families are believed to be the world's first consumers of gas made from coal which has been "upgraded" so that it can be substituted for natural gas without alterations of gas-fuelled appliances.

The substitute fuel is being supplied from a plant at Westfield, east Fife, which has concluded a year-long demonstration of coal-gas methanation. This is a process of producing methane from coal gas, giving it about the same heat content as natural gas. Methane is the main part of natural gas.

Conoco said at least two leading United States coal-gasification projects being planned would use information from the Westfield test to confirm the design of methanation units.

## Builders' federation says prices code continuation is 'ludicrous'

By Malcolm Brown

Housebuilding leaders yesterday urged the Government to end the price code. In a memorandum to Mrs Shirley Williams, Secretary of State for Prices and Consumer Protection, the Federation of Master Builders said that the continuation of the price code was "ludicrous" now that the pay code had ended.

The Federation, which represents 20,000 small builders, described the productivity deduction rule, which prevents the full increase in labour costs being passed on in higher prices, as a "major insult to economic intelligence."

"Is there anyone who can produce evidence to support the concept that a worker, on receipt of a higher wage, will increase his productivity to the extent of enabling his employer to absorb 50 per cent of the increase?"

The Federation gave a warning that the profit restraint provisions of the code should be ended in the best interests of the economy as a whole.

The need today is for firms to be able to make reasonable profits for expansion and investment. "To inhibit their endeavour to do so by enforcing unrealistic regulations upon them and crippling their ability to invest by limiting profit margins cannot make for a healthy economy," it added.

Questions on slump: More than 4,000 housebuilders are to be questioned on the housing slump during the next few weeks. Questionnaires are to be sent out in an effort to assess the severity of the individual factors which have led to the slowdown.

The results, which will be collated and analysed early next month, are to serve as the background to talks between Mr Reginald Freeson, Minister for Housing and Construction, and leaders of the Housebuilders' Federation.

Last week the federation and the Department of the Environment set up a joint committee to consider the problem. The committee meets next month. One of the priorities facing the committee will be to discuss the difficulties over selling which builders are experiencing.

This has led many builders to halt new construction until the backlog is cleared. Meanwhile, builders are incurring heavy interest loans from the banks on unsold properties and many are facing demands for full rates from local authorities on the empty properties.

A special edition of the Finance Act 1974 is to be published by the Institute of Chartered Accountants in England and Wales next Tuesday as a public information service.

It is based on the published text of the Finance Bill dated April 1 and includes all amendments subsequently passed by Parliament. It is therefore in the final form in which it received Royal Assent on July 31.

The Chartered Accountants' edition costs £1.25 and is available from the Publications Department, 56-66 Goswell Road, London EC1M 7AB.

ITT, an international investment trust, linked to the ICS group of funds, and ITT's investors yesterday filed a suit in the United States Federal Court seeking \$39m (£16.25m) in damages from Mr Robert Vesco, 11 other people and five corporations.

Soviet order for ICL

AZLK, the Soviet makers of Moskvich cars, has ordered a further £500,000 worth of computer equipment from International Computers.

VW and Audi link-up

More than 160 Volkswagen and Audi NSU dealers in the United Kingdom have agreed to sell and service both ranges of cars since the joining of franchises was announced in June.

Levy by road hauliers to fight nationalization threat

By Edward Townsend

Britain's road hauliers have been waiting apprehensively for today's Government White Paper on industrial policy which is expected to name the industry as a candidate for further state ownership.

Considerable opposition has already been voiced against what road haulage contractors see as government interference in a highly competitive private business.

In an attempt to fight the nationalization threat, the Road Haulage Association has decided to impose a levy of 4 per cent of members' annual subscriptions and raise about £16,000 for its publicity fund.

"We feel it is prudent to have a little money in hand," a spokesman said. "The attitude of members is solidly opposed to any extension of state ownership and as far as we can tell we think that is also the attitude of employees, most of whom are drivers."

The RHA said last night that it supported the Confederation of British Industry's anti-nationalization campaign and efforts by Aims of Industry and that it did not yet intend to launch a campaign of its own. The levy, which amounts to about 10p per vehicle, will not apply to the state-owned companies in the National Freight Corporation, which are excluded.

According to the latest issue of Commercial Motor, little change is expected in the White Paper from the Labour Party's General Election manifesto, which proposed nationalization of profitable sections or individual firms in road haulage where a public holding was deemed essential to enable the Government to plan the national economy.

Business appointments

Charles Clifford makes Mr Park life president

Mr Robert Park has been appointed life president of Charles Clifford Industries. Mr Eric Butler has been appointed chairman of the company and its subsidiaries. Mr John Allen becomes group managing director and a director of all subsidiary companies.

Mr R. D. N. Somerville has been appointed a joint managing director of Engineering Components, with Mr G. C. Clark.

Mr Brox Kruth has joined Great Lakes Chemical Corporation as managing director, European operations.

Mr Michael George has been named regional insurance adviser, London south-west region, for Midland Bank Insurance Services. Mr Clive Davies has been appointed a deputy regional insurance adviser, Wales.

Mr G. J. T. Pinder becomes group managing director and Mr Malcolm J. Hall sales director of Muccon Engineering.

Mr Philip Smith joins the board of Robert Lee International Management Consultants. Mr Peter Whiddall has been appointed an associate director.

Mr R. J. Williams has been made managing director of Campaign Car (GB). Mr D. A. Marshall, director of marketing, and Mr P. D. Knibbs director of finance.

## Fisons seals drug venture with Diagnostic

Diagnostic Data said in Mountain View, California, yesterday that it had concluded an agreement with Fisons of Britain for a joint venture to manufacture Orgotein, Diagnostic's anti-inflammatory drug.

The new company will be owned equally by Diagnostic and Fisons and a plant will be built in the United Kingdom to produce Orgotein.

Fisons will finance the plant, valued at \$3m (£1.25m) to \$4m and Diagnostic will provide the technical information.—Reuter.

Finance Act special edition on sale

A special edition of the Finance Act 1974 is to be published by the Institute of Chartered Accountants in England and Wales next Tuesday as a public information service.

It is based on the published text of the Finance Bill dated April 1 and includes all amendments subsequently passed by Parliament. It is therefore in the final form in which it received Royal Assent on July 31.

The Chartered Accountants' edition costs £1.25 and is available from the Publications Department, 56-66 Goswell Road, London EC1M 7AB.

ITT, an international investment trust, linked to the ICS group of funds, and ITT's investors yesterday filed a suit in the United States Federal Court seeking \$39m (£16.25m) in damages from Mr Robert Vesco, 11 other people and five corporations.

Soviet order for ICL

AZLK, the Soviet makers of Moskvich cars, has ordered a further £500,000 worth of computer equipment from International Computers.

VW and Audi link-up

More than 160 Volkswagen and Audi NSU dealers in the United Kingdom have agreed to sell and service both ranges of cars since the joining of franchises was announced in June.

Levy by road hauliers to fight nationalization threat

By Edward Townsend

Britain's road hauliers have been waiting apprehensively for today's Government White Paper on industrial policy which is expected to name the industry as a candidate for further state ownership.

Considerable opposition has already been voiced against what road haulage contractors see as government interference in a highly competitive private business.

In an attempt to fight the nationalization threat, the Road Haulage Association has decided to impose a levy of 4 per cent of members' annual subscriptions and raise about £16,000 for its publicity fund.

"We feel it is prudent to have a little money in hand," a spokesman said. "The attitude of members is solidly opposed to any extension of state ownership and as far as we can tell we think that is also the attitude of employees, most of whom are drivers."

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ANGLO-AMERICAN SECURITIES CORPORATION LIMITED

Interim Statement

Interim Financial Statement (Unaudited) for the six months ended 15th July 1974.

| Year ended 15th Jan. 1974  | Six mths ended 15th July 1974 | Six mths ended 15th July 1973 |
|--|-------------------------------|-------------------------------|
| 2,520,978  | 1,356,013                     | 1,168,000                     |
| Net Revenue after taxation, expenses and Debenture and Loan Interest | 667,293                       | 749,000                       |
| 1,296,197  | 688,720                       | 419,000                       |
| Dividend on Ordinary Shares (payable 23rd August, 1974)              | 0.7p                          | 0.7p                          |
| 1.9p per share   | 76p c.d.                      | 76p c.d.                      |
| *Net Asset value per Ordinary Share at end of period                 | 76p c.d.                      | 76p c.d.                      |
| 96p c.d.   | 76p c.d.                      | 76p c.d.                      |
| 96p c.d.   | 76p c.d.                      | 76p c.d.                      |

† These figures are not comparable with the six months ended 15th July, 1973, due to the introduction of the imputation system in April, 1973.

\* The Net Asset value includes the full amount of the investment premium which at 15th July, 1974, was equivalent to 17p per Ordinary Share (15th July 1973—12p per share; January, 1974—11p per share).

No provision has been made for any liability to tax on gains which may arise in the future on realization of investments.

THE NOTTINGHAM MANUFACTURING COMPANY, LIMITED

INTERIM REPORT for the six months ended 30th June, 1974

Group Profit (unaudited) for the six months ended 30th June is as follows—

|  | 6 months 1974 | 6 months 1973 | Year 1973  |
|--|---------------|---------------|------------|
| Profit before taxation   | £3,475,000    | £3,590,000    | £3,125,000 |
| Profit on trading  | 562,000       | 330,000       | 799,000    |
| Interest receivable and Income from Quoted Investments         | 4,037,000     | 3,940,000     | 8,924,000  |
| LESS: Interest on 6½% Convertible Unsecured Loan Stock 1993/98 | 390,000       | 398,000       | 796,000    |
|  | £3,647,000    | £3,542,000    | £8,128,000 |
| Profit After Taxation*   | £1,751,000    | £1,806,000    | £4,392,000 |

\*The charge for taxation in 1974 is at the rate of 52%, that for the first half of 1973 has been restated at the average rate for that year now known to be 49%.

Profits for the first six months of the year are normally less than those of the second six months; furthermore, profits for the first half of 1974 have been affected by the three-day working at the beginning of the year.

On the basis of the recently announced relaxation in dividend limitation, the Directors have declared on the Ordinary Share Capital an Interim Dividend of 3.015% (1.75375p per share) which, with the associated tax credit of 1.485% (0.8725p per share), amounts to 4.5% against a comparable rate of 4% paid as an Interim Dividend for 1973. The Interim Dividend, requiring £390,219, will be payable on 3rd December 1974 in shareholders on the register on 4th November 1974.

14th August 1974.

GLYNWED

Budley Road West, Tivdiale, Warley, West Midlands, B69 2PH.

## LETTERS TO THE EDITOR

## Technological achievement of Concord and Olympus engine needs full backing

From Air Commodore Sir Frank Whittle

Sir, During a visit to the Rolls-Royce Bristol engine division last week I had an opportunity of bringing myself up to date on a number of matters. Among other things, I learnt that a Concord had recently demonstrated its capability in a very striking way.

It took off from Boston, Massachusetts, for Paris at the same time (GMT) as a 747 (Jumbo Jet) took off from Paris for Boston. The Concord refuelled at Paris and returned to the 747 and arrived before the 747. (If this feat was reported in the press, I missed it.)

This is one more convincing demonstration that the advent of the SST civil aircraft is as certain as was that of the jet aircraft itself (despite the fact that in the early fifties BOAC was virtually the only airline having faith in the civil jet, while other major airlines were still scoffing at the idea).

If we do not go ahead with it someone else will, so if the anti-Concorde lobby succeeded in its aims it would be setting another appalling case of throwing away a major technical lead. And they would have achieved no more than a few years' postponement of the inevitable—at great loss to Britain and France.

The main object of this letter, however, is to draw the attention of your readers to the limit of the colossal asset represented by the Olympus engine developed for the Concord. As it is today it represents an outstanding technical achievement, but it has by no means reached the limit of its possibilities both for aircraft and industrial applications.

No doubt many of your readers are aware of the fact that the Olympus is the most powerful jet engine in the world, but probably do not realize what vast scope there is for adapting it to industrial uses.

For example, for electric power generation (by using it as a gas generator for driving a conventional electric generator via a power turbine). A single Olympus of today, so adapted, would produce above 70,000 hp, ie over 50 megawatts, with an overall efficiency at least as good as, and probably better than, the most efficient steam powered generating sets.

Thus, a unit weighing less than 3½ tons and occupying a few square feet can substitute for the massive steam boilers, condensers, cooling towers, etc of the conventional steam set.

For marine purposes it is sufficient to point out that the power of one Olympus is not far short of that of the entire power plant of the old Queen Mary or the first QE. (Incidentally, one Concord has the passenger carrying capacity of one of the "Queens"—300 million passenger miles per year.)

There is, of course, nothing novel in the adaptation of aircraft jet engines for electric power generation, marine propulsion and other industrial purposes.

Many Avons and other aero-engines are in service for "peak load topping" and/or standby power plant, and for marine propulsion—often operating unattended in the former case. But the Olympus is far ahead of these old engines in power and efficiency. (It is an odd fact that adapted aero-engines have proved more successful in the industrial field than many of the turbines primarily designed for industrial use.)

Much of the cost of the Olympus as an aero-engine is due to a large number of "fiddling" manufacturing operations necessary to minimize weight. Relaxation of these refinements would substantially reduce production cost. But I understand that the cost per hp compares favourably with the plant it could replace even if these refinements were retained.

However, it is my personal opinion, for reasons which are too technical to go into now, that overall efficiency can be improved by less stringent weight requirements. And, of course, increased production would greatly reduce cost.

This is by no means the whole story. By scaling up or down wide power range could be covered, eg, doubling the power would mean a 200 megawatt power unit. Alternatively, same result could be achieved by using a battery of four or five units driving a single turbine of 200 megawatts each.

But, of even greater interest to the aeronautical world is a turbo-fan version of Olympus, which is well-reach without a formal development programme, be highly suitable for the generation of SSTs.

With the aircraft drag reductions which are now possible, a fan version engine (with a 1:1.1 ratio) would permit a 10 per cent increase in take-off as compared with Con and would reduce specific fuel consumption means that a super Con would have both a greater and greater per cent capacity than the present craft.

Moreover, there would need for afterburning a turbo-fan engine in the present take-off mode this, coupled with the 10 per cent increase in take-off as compared with Con and would reduce specific fuel consumption means that a super Con would have both a greater and greater per cent capacity than the present craft.

Yours faithfully,  
FRANK WHITTLE,  
Walling Hill,  
Chagford,  
Devon,  
August 12

Facts of CBI industrial trends survey

From Mr R. H. Price

Sir, On August 8 your columns carried letters from Mr W. H. R. H. E. Levy commenting on the interpretation of the results of the July CBI industrial trends survey. It was suggested that this was unduly pessimistic.

Although the evidence of the survey is that at the present time manufacturing industry as a whole is achieving a reasonable degree of capacity utilization, notably in the capital goods sector (essentially Mr Levy's point), the CBI Economic Situation Committee judged the survey to provide further grounds for viewing prospects beyond the next few months with concern.

The weak forecasts for intake of new orders and for investment authorization, combined with the widespread movement to greater pessimism about the general business situation, have in the past represented leading indicators of a downturn in industrial activity.

Mr Whitworth's company is apparently not the only one to be engaged in "buoyant cost reduction", and if this goes ahead in many instances take the form of lower investment in fixed and working capital and lower employment.

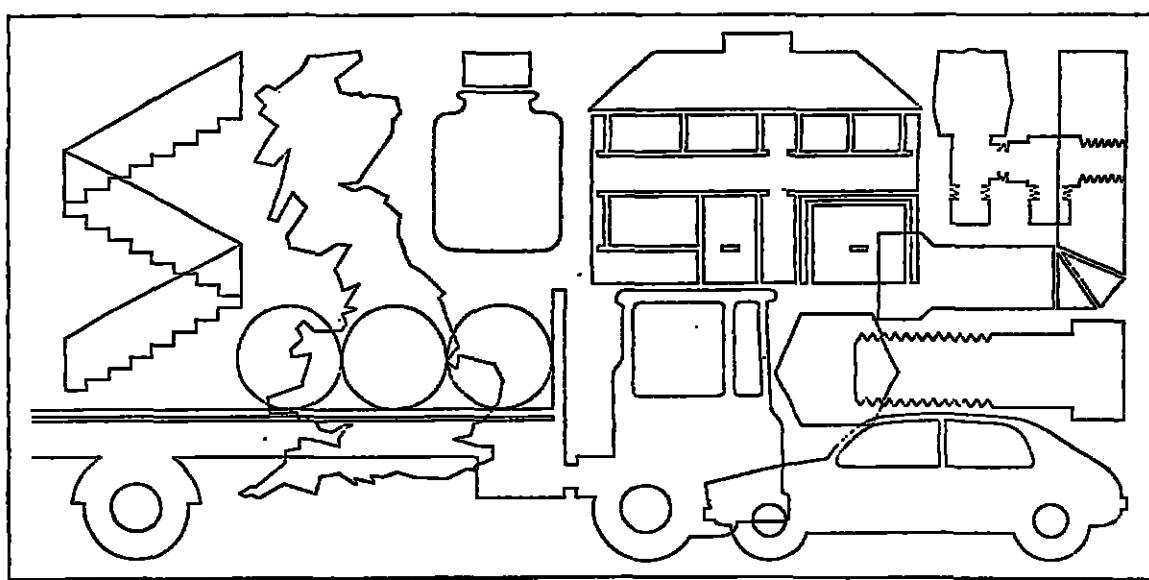
The survey suggests that many firms, like Mr Whitworth's, are "taking in every possible reef for the storm ahead". The storm may not arrive, but if it does industry must be in the best possible shape to meet it.

There are a number of ways in which Government can help in this process: these were itemized in the survey itself. To have done so implies "suicidal passivity" on the part of the CBI.

On the contrary, if measures are taken to pressure on corporate and profitability, and prove industrial confidence, other respects also, investment and employment 1975 will be sustained higher level than would be the case. This is the good of all, must certainly correct CBI to point this out. Yours faithfully,  
R. H. PRICE,  
Head of Industrial Trends Department,  
Confederation of British Industry,  
21 Tothill Street,  
London, SW1.

## Glynwed Limited Interim Statement

52 weeks ending 28th December, 1974



### Trading Results

Group profit before taxation for the first six months of 1974 shows an increase of £2.1m (34%) over the same period of 1973. Turnover rose by £27m (33%) of which approximately £5m (6%) was due to the increase in the world price of copper. There were no acquisitions during the period.

The three-day week and other effects of the miners' strike were felt in some of the units in the Group, but with the co-operation of all employees, the disruption was minimised. Nevertheless, it is estimated that profits in excess of £500,000 were lost in that period by those units most seriously affected.

Excellent profits were earned in the steel side of the Group, both in stockholding and re-rolling, but the results from building and consumer products fell short, both of last year's figures and the half-year forecasts.

Defy Industries Limited, the South African subsidiary, succeeded in its public flotation and the public now holds some 16 per cent of the share capital. At the time of the issue, profits after tax for the year were forecast at £1.1m and at the half-year the company was on target.

### Ordinary Dividends and Prospects

The Directors have declared an Interim Dividend for the 52 weeks ending 28th December, 1974 of 2.45p per share (1973 2.45p) payable on 27th December, 1974 to ordinary shareholders on the Register at close of business on 6th September, 1974.

The Directors estimate that profits before tax for 1974 should be ahead of those for 1973 but, with the present uncertainty in the economy and in British industry as a whole, much will depend on the level of industrial activity in the last quarter of the year.

The unaudited results of the Group for the 26 weeks ended 29th June, 1974 together with the published figures for the corresponding period of the previous year and the final audited figures for the 52 weeks ended 28th December, 1973 are summarised below:—

|  | 1974<br>26 weeks to<br>29th June | 1973<br>26 weeks to<br>30th June | 1973<br>52 weeks ended<br>29th December |
|--|----------------------------------|----------------------------------|---|
| Turnover of the Group                  | 107,397                          | 80,455                           | 171,814                                 |
| Group Trading Profit                   | 9,345                            | 7,205                            | 15,830                                  |
| Debtenture and Loan Stock Interest     | 893                              | 920                              | 1,825                                   |
| Group Profit before Taxation           | 8,452                            | 6,285                            | 14,005                                  |
| Taxation                               | 4,326                            | 2,600                            | 6,518                                   |
| Group Profit after Taxation            | 4,126                            | 3,685                            | 7,487                                   |
| Minority Interests                     | 7                                | —                                | 1                                       |
| Profit attributable to Glynwed Limited | 4,119                            | 3,685                            | 7,486                                   |
| Dividends:                             |                                  |                                  |   |
| 5.425% (formerly 7%) Preference        | 35                               | 35                               | 70                                      |
| Ordinary — Interim 2.45p per share     | 1,130                            | 2,45p                            | 1,114                                   |
| Final                                  | —                                | —                                | 3,828p                                  |
|  |                                  |                                  | 1,766                                   |

Note: U.K. Taxation on the profits of the 26 weeks ended 29th June, 1974 has been estimated on the basis of 52% Corporation Tax, (1973 40% on profits to 31st March, 1973 and thereafter at a rate of 50%). Overseas Taxation has been estimated at the appropriate rate.

GLYNWED

Budley Road West, Tivdiale, Warley, West Midlands, B69 2PH.

حركة من الاصل







FINANCIAL NEWS

# Buoyant £3.3m at Reardon Smith with strong second lap indicated

By Tony May  
Going from a loss of £550,000 to a profit of £3.3m last year Reardon Smith Line made an impressive recovery and the first six months of the current term also shows a "considerable improvement". Taxable profits are a full 90 per cent ahead at £3.2m including a £693,000 surplus on the sale of a vessel. Before allowing for this, profits are 52 per cent up to £2.6m. Mr C. Chatterton, the chairman, comments that these estimated interim figures confirm the optimistic tone of his recent statement.

The company's fleet is covered by many forward contracts for the rest of the year, and the board is confident of achieving satisfactory results for the second half. This, of course, indicates an advance for the full term, and as the interim dividend is maintained at 2.5p gross the board intends to pay the bulk of the allowable total, 3.43p gross, against 2.5p, at the end of the year.

However, if restrictions are eased or removed, the directors will consider the payment of a still higher dividend, which would be fully justified by the results, and financial position. In spite of the uncertainties in the commercial world, the company remains in a strong position and continues to investigate investment opportunities.

## Midterm profits doubled at Reed & Smith

Reflecting the buoyant state of the paper market and current reorganization, Reed & Smith, the Devon-based group, more than doubled profits from £223,000 to £714,000 pre-tax in the half to June 30. For comparison purposes the 1973 figure has been adjusted to include all companies now in the group.

The company says that because of the present industrial uncertainty particular care has been taken to provide against all contingencies and the results serve to endorse an earlier view that the final return will show a "very considerable improvement".

Tax takes £392,000 (£165,000) but after adding back a surplus on the disposal of property and investments, the attributable comes out at £358,000, against £191,000.

## Allied Insulators surge

In spite of costs rising at an unprecedented rate and restrictions on production, Allied Insulators report a big leap in profits at interim time, which at £13,000 pre-tax shows a surge of some 200 per cent over the same period. Turnover rose from £2.7m to £3.5m. Though cost escalation is expected to accelerate in the rest of the year, the board, on the basis of good order books, are confident on the future.

## 'Outstanding' result by Capitol-EMI

Restated to comply with United Kingdom accounting, the results of Capitol Industries-EMI, the United States subsidiary of EMI Ltd, show that profits before tax soared 63 per cent to £17.35m (£7.23m) for its last term to June 30. The profit was achieved on sales less than 5 per cent higher, at £149.5m. After extraordinary items the attributable improved from \$3.9m to \$5m.

Commenting on the performance Mr John Read, deputy chairman and chief executive of the EMI Group, said Capitol had once again produced "outstanding" results which reaffirmed its position as a United States music industry leader. They also underlined its basic strength and continuing growth potential.

In California Mr Bhaskar Menon, president and chief executive of Capitol, said net income from the United States and Canadian record companies, the magnetic products division and music publishing increased by 69 per cent. Capitol Records highlighted the performance with 23 Record Industry Association of America Gold Record Awards, the highest in the company's 32-year history.

## Sandeman seeks to buy out preference shares

Geo. C. Sandeman, the port, sherry and brandy shipper, is planning to buy out its £26,016 31 per cent preference shares as a prelude to increasing its borrowing powers.

The preference shareholders have the right to block the increase in the borrowing powers which Sandeman now needs for the continued expansion of the business.

Sandeman is bidding 58p for each share, equivalent to an exit yield of 9 per cent. This puts a total value on the preference shares of nearly £250,000. They were last traded in May at a price of 37p.

The problems that can arise when companies with preference shareholders wish to increase their borrowing powers became evident earlier this year when proposals put forward by Alfred Herbert came close to being blocked by its largest preference shareholder, John James.



Mr H. J. Head, chairman of H. Brammer: wider and stronger investment base.

## Brammer well on way to target of £2m

H. Brammer, makers of transmission belting and distributors of bearings, look to be well on the way towards achieving their target of taking a "long stride" towards profits of £2m this time.

Out of interim sales increased 64 per cent to £8m the pre-tax after interest grew 82 per cent to £959,000 and the dividend goes up from 2p to 2.08p. Before interest paid of £98,000 (£5,000 received) trading profit was more than doubled to £1.05m.

The percentage of trading profits to sales was up from 10.6 per cent to 13.1 per cent and compares with 11.7 per cent over the whole of 1973. The attributable comes out at £461,000, against £285,000.

Mr J. E. Head, chairman, says the result illustrates that the company is more than achieving its objectives. In his report he says the company is now established on a wider and stronger investment base both in the United Kingdom and Europe. As evidence of this he points to the results achieved in the final quarter of last year and in the following three months.

## General Engineering

Turnover of General Engineering (Radcliffe) has reached £5.4m with a rise of £1m, and taxable profits are the best for some time at £307,000, against £119,000. Shareholders will receive a dividend of 1.48p, against 0.85p, on net profits of £175,000 against £31,000. Net earnings a share, 2.5p (1.3p).

The board says that profits fell short of budget because of

# Big interim leap by Black & Edgington

Now relying less on its seasonal camping business Black & Edgington return interim profits up 86 per cent to £779,000 pre-tax out of turnover expanded 65 per cent to £10.6m. Even though a part of this increase is due to the inclusion of new subsidiaries the company reports a "very substantial improvement" in most areas of its operation.

Mr Robin Duthie, chairman, says that while it would be dangerous to be too optimistic in the present economic conditions, current trading is buoyant and it appears that in most areas, particularly on the retail side, the group is insulated to some extent from recessionary tendencies. "Camping flourishes where there is a demand for less expensive holidays," he says.

## B. Wardle aims for record

The board of Bernard Wardle, makers of vinyl coated fabrics, etc., warns that there is clear evidence that turnover and profits are being affected by lower activity in consumer industries generally. If this lower activity continues, the second half will not be significantly higher than the first, although the board certainly expects a record year in all respects.

Meanwhile, sales for the half year are up from £4.7m to £7.1m, and taxable profits go forward from £441,000 to £648,000. The dividend is increased from equal to 0.31p to 0.64p.

## Marshall Morgan

Following up last year's jump in taxable profits from £467,000 to £558,000, Marshall Morgan & Scott has raised its interim profit from £82,000 to £105,000. On attributable profits up from £42,000 to £50,000, the dividend is being raised from 1p to 1.05p. Turnover is ahead from £2.5m to £4.12m.

The board says trading has been most encouraging, and the group is well placed to continue its profit growth.

## Lambert Howarth

Although costs continue to rise steeply, the board of the Lambert Howarth Group of shoe and slipper makers hopes to at least maintain its turnover rate in the second half, which points to a "satisfactory" full year.

Meanwhile, taxable profits have risen from £183,000 to £237,000 on turnover of £4.27m, against £3.58m. Net profits have improved from £131,000 to £160,000, and shareholders will receive a payment of 1.2p compared with 1p.

## Issues & Loans

### Brandts loan for Yugoslavs

Brandts (115m) has signed a DM87.5m (£15m) loan agreement with Metalurgij Kombinat.

### Eurobond prices (midday indicators)

| 3 STRAIGHTS            |     |       |                      |        |
|------------------------|-----|-------|----------------------|--------|
| Arlissee 8 1/2 1988    | 84  | Offer | Venezuela 8 1/2 1987 | 84 1/2 |
| American Motors 8 1980 | 85  |       | Vetro 8 1987         | 85     |
| American Motors 8 1985 | 86  |       | Wichitan 8 1987      | 86     |
| American Motors 8 1990 | 87  |       | Win Gurus 8 1987     | 87     |
| Ashland 8 1987         | 70  |       | Wichitan 8 1987      | 88     |
| Ashland 8 1988         | 71  |       | Wichitan 8 1987      | 89     |
| Ashland 8 1989         | 72  |       | Wichitan 8 1987      | 90     |
| Ashland 8 1990         | 73  |       | Wichitan 8 1987      | 91     |
| Ashland 8 1991         | 74  |       | Wichitan 8 1987      | 92     |
| Ashland 8 1992         | 75  |       | Wichitan 8 1987      | 93     |
| Ashland 8 1993         | 76  |       | Wichitan 8 1987      | 94     |
| Ashland 8 1994         | 77  |       | Wichitan 8 1987      | 95     |
| Ashland 8 1995         | 78  |       | Wichitan 8 1987      | 96     |
| Ashland 8 1996         | 79  |       | Wichitan 8 1987      | 97     |
| Ashland 8 1997         | 80  |       | Wichitan 8 1987      | 98     |
| Ashland 8 1998         | 81  |       | Wichitan 8 1987      | 99     |
| Ashland 8 1999         | 82  |       | Wichitan 8 1987      | 100    |
| Ashland 8 2000         | 83  |       | Wichitan 8 1987      | 101    |
| Ashland 8 2001         | 84  |       | Wichitan 8 1987      | 102    |
| Ashland 8 2002         | 85  |       | Wichitan 8 1987      | 103    |
| Ashland 8 2003         | 86  |       | Wichitan 8 1987      | 104    |
| Ashland 8 2004         | 87  |       | Wichitan 8 1987      | 105    |
| Ashland 8 2005         | 88  |       | Wichitan 8 1987      | 106    |
| Ashland 8 2006         | 89  |       | Wichitan 8 1987      | 107    |
| Ashland 8 2007         | 90  |       | Wichitan 8 1987      | 108    |
| Ashland 8 2008         | 91  |       | Wichitan 8 1987      | 109    |
| Ashland 8 2009         | 92  |       | Wichitan 8 1987      | 110    |
| Ashland 8 2010         | 93  |       | Wichitan 8 1987      | 111    |
| Ashland 8 2011         | 94  |       | Wichitan 8 1987      | 112    |
| Ashland 8 2012         | 95  |       | Wichitan 8 1987      | 113    |
| Ashland 8 2013         | 96  |       | Wichitan 8 1987      | 114    |
| Ashland 8 2014         | 97  |       | Wichitan 8 1987      | 115    |
| Ashland 8 2015         | 98  |       | Wichitan 8 1987      | 116    |
| Ashland 8 2016         | 99  |       | Wichitan 8 1987      | 117    |
| Ashland 8 2017         | 100 |       | Wichitan 8 1987      | 118    |
| Ashland 8 2018         | 101 |       | Wichitan 8 1987      | 119    |
| Ashland 8 2019         | 102 |       | Wichitan 8 1987      | 120    |
| Ashland 8 2020         | 103 |       | Wichitan 8 1987      | 121    |
| Ashland 8 2021         | 104 |       | Wichitan 8 1987      | 122    |
| Ashland 8 2022         | 105 |       | Wichitan 8 1987      | 123    |
| Ashland 8 2023         | 106 |       | Wichitan 8 1987      | 124    |
| Ashland 8 2024         | 107 |       | Wichitan 8 1987      | 125    |
| Ashland 8 2025         | 108 |       | Wichitan 8 1987      | 126    |
| Ashland 8 2026         | 109 |       | Wichitan 8 1987      | 127    |
| Ashland 8 2027         | 110 |       | Wichitan 8 1987      | 128    |
| Ashland 8 2028         | 111 |       | Wichitan 8 1987      | 129    |
| Ashland 8 2029         | 112 |       | Wichitan 8 1987      | 130    |
| Ashland 8 2030         | 113 |       | Wichitan 8 1987      | 131    |
| Ashland 8 2031         | 114 |       | Wichitan 8 1987      | 132    |
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| Ashland 8 2213         | 296 |       | Wichitan 8 1987      | 314    |
| Ashland 8 2214         | 297 |       | Wichitan 8 1987      | 315    |
| Ashland 8 2215         | 298 |       | Wichitan 8 1987      | 316    |
| Ashland 8 2216         | 299 |       | Wichitan 8 1987      | 317    |







**ACCOUNT DAYS:** Dealings Began Aug 5. Dealings End, Aug 16. \$ Contango Day, Aug 19. Settlement Day, Aug 28.  
\$ Forward bargains are permitted on two previous days.

**Weatherall** LONDON LEEDS PARIS  
**Green & Smith** NICE FRANKFURT

[illegible]















